

## APPENDIX B: HOUSING NEEDS ASSESSMENT

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## INTRODUCTION

The Housing Element is one of seven state-mandated elements of the General Plan. The Housing Element contains a comprehensive list of information regarding housing needs and the existing housing stock as presented in the Housing Needs Assessment. Section 65583(a) of the Housing Element Law states that the housing element must contain an "analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock condition." The Housing Needs Assessment fulfills this requirement.

The Housing Needs Assessment provides background information on the housing needs and conditions in the City in order to prepare goals and policies that will adequately meet the needs of the community. The 2000 U.S. Census results have just begun to be released and will continue to be disseminated through 2002. As information becomes available, it will be incorporated into the City's Housing Element. It is likely that the basic thrust of this report will not change as a result of new data, but the order of magnitude of the problems and relative needs may shift. As such, this report should be considered a work-in-progress. The data presented in the Housing Needs Assessment will not only guide the development of housing goals and policies, but will also be integrated into the body of the Housing Element to present the current status of housing and housing related issues in Morgan Hill.

This assessment is organized into four data sections. The first section focuses on demographic information such as population size, ethnicity, age, household type, income, employment, housing characteristics, general housing needs by income, and special housing needs for specialized segments of the population. This first section basically outlines the characteristics of the community, and identifies those characteristics that may have significant impacts on housing needs in the community.

The second section identifies the City's resources, the historic development pattern, and areas of housing opportunity in the community. It also identifies special housing and other housing resources that are characteristic of the City, and that provide both opportunities and potential constraints to the growth and maintenance of the housing stock in Morgan Hill.

The next section discusses the governmental and non-governmental constraints to housing development in the City. The City has building standards that can limit the amount or location of housing in certain areas, or that can result in fees that make certain types of housing infeasible. In addition, there are environmental constraints that cause housing limitations. Non-governmental constraints such as the housing market, financing, and construction costs also limit housing growth in Morgan Hill.

The final section of the Needs Assessment discusses opportunities for energy conservation, which can reduce homeowner costs, and infrastructure costs to the City. With a reduction in basic living costs through energy savings, more households will be better able to afford adequate housing.

Combined, these sections provide an analysis and documentation of the community's characteristics and needs, and identifies potential constraints to meeting the community's needs adequately.

## SUMMARY OF FINDINGS

### Population Growth and Characteristics

- Morgan Hill's population is expected to grow steadily over the next 20 years, continuing the demand for a variety of housing types and costs. The rate of population growth is anticipated to continue due to the Residential Development Control System (RDCS), which regulates residential development. The City's population projections through 2020 are higher than those of the Association of Bay Area Governments.
- Morgan Hill's ethnic composition is similar to that countywide, with the exception of a significantly lower percentage of residents of Asian origin. The slightly larger percentage of residents of Hispanic origin than countywide is likely due to the City's location in an active agricultural area in southern Santa Clara County. The City has a slightly larger percentage of residents employed in agriculture-related industries than the countywide population (see Employment Trends below).
- Morgan Hill has a slightly higher percentage of children, a slightly lower percentage of seniors, and larger average household size than the countywide or statewide populations. Morgan Hill also has a higher percentage of families with children, reflecting the City's attractiveness for such households. As southern Santa Clara County continues to urbanize, and Morgan Hill continues to grow, one result could be a gradual increase in households without children and non-family households. This is particularly true if current families remain in Morgan Hill after their children are grown.

### Income and Poverty

- Morgan Hill is somewhat more affluent than the countywide population. The median income in the City is over ten percent higher than countywide, and about twelve percent fewer city residents have very low- or low-incomes than the countywide population. At the time this document was prepared, 2000 Census data on income had not yet been released to compare trends in city versus county incomes.
- The poverty rate in Morgan Hill was about five percent in 1990, below the countywide level of eight percent. Poverty rates among most Morgan Hill residents were generally low, with the exception of persons of Hispanic origin and some other ethnic minorities in the City. Female-headed households with children, primarily single mothers, had the highest poverty rate of any group in Morgan Hill, about 20 percent in 1990.

### Employment Trends

- Employment data from the U. S. Census and the California Employment Development Department (EDD) suggest that the majority of Morgan Hill residents are employed in administrative, technical, professional, and managerial jobs. The top employers in Morgan Hill are a combination of public agencies, technology firms, construction enterprises, retail establishments, and specialty manufacturers. According to ABAG, job growth is expected to be 70 percent between 2000 and 2020 in the City. According to EDD, technology firms are expected to create the highest number of new jobs countywide over the next several years.

- Workers in most industries with significant job growth over the next decade will have either above moderate-incomes or low- to very-low incomes. There appears to be a widening gap, therefore, among wages and incomes.

## Special Needs

- Morgan Hill has a number of special housing needs, primary among these among are older adults, families with low-incomes, and persons with disabilities.
- As the current population ages, Morgan Hill can expect to experience an increase in the number of older adults with special housing needs over the next 20 years. Although senior housing needs are not a large issue in Morgan Hill, the most critical housing-related needs among seniors appear to be: financial support for low-income seniors who do not own their homes, assistance with home maintenance expenses for low-income senior homeowners, and assisted care for seniors who have self-care and mobility limitations.
- Non-elderly individuals with disabilities also have financial and physical needs. Although the number of such individuals represents a small percentage of all residents, their needs frequently remain unmet by the private market.
- Large families with low incomes are particularly subject to high housing costs as there are few affordable homes in sound conditions with adequate space to prevent overcrowding.
- Poverty rates are low for most population groups in the City; however, female-headed households with children have a high poverty rate (20 percent). Although female householders with children do not comprise a large proportion of the City's population, housing assistance programs and projects may help reduce poverty levels.
- Persons employed in agriculture are a small percentage of the total Morgan Hill population but are likely to have lower incomes and find it difficult to obtain affordable housing. Although they represent a very small percent of the population, farmworker families will likely have significant unmet housing needs because low wages tend to place them in the very low- and low-income categories. As a result, they have a higher probability of being impacted by substandard housing conditions and overcrowding.
- Homelessness does not appear to be a significant problem in Morgan Hill, but there are homeless persons in the City nonetheless. Contacts with social service organizations and others dealing with emergency housing and the homeless on a daily basis estimate suggest that there are approximately 80 homeless persons in the City of Morgan Hill. Some of these homeless may be travelers who are temporarily stranded, since Highway 101 is a major transportation route.

## Housing Characteristics

- About two-thirds of the City's housing stock consists of single-family detached homes, compared to less than sixty percent countywide. Nearly three-fourths of Morgan Hill residents own their homes, compared to 60 percent countywide. Homeownership is highest among adults 65 years of age or more, 80 percent. The composition of the City's

housing stock is consistent with the characteristics of a lower density suburban community.

- 2025 housing units were added to City's housing stock between 1999 and 2005, an increase of 19.6 percent. Nearly half (44 percent) of these housing units were affordable to very low-, low-, or moderate-income households.
- Morgan Hill's housing stock is in good shape, overall. About 85 percent of the housing units in the City were constructed since 1970. There are several older neighborhoods in which a significant number of dwelling units may need varying degrees of repair, from deferred maintenance to replacement. The City estimates that less than ten percent of the housing stock needs deferred maintenance or rehabilitation, and less than one percent needs replacement.
- About seven percent of Morgan Hill households lived in overcrowded conditions (more than one person per room) in 1990, the most recent year for which Census data is available. By comparison, Santa Clara County experienced an 11 percent overcrowding rate in 1990. Overcrowding in Morgan Hill occurred more often in rental housing (17 percent) than owner-occupied housing (3 percent), suggesting that there were a significant number of large families who could not afford to purchase a home or find affordable rental housing of sufficient size.

### **Housing Costs and Affordability**

- Historically, housing costs in Morgan Hill have been lower than the countywide average. However, the median housing price in Morgan Hill actually exceeded the countywide average, \$475,000 to \$462,000, in August 2001. Month-to-month prices can vary significantly, but the trend over the past several years appears to be that housing prices are rising faster in Morgan Hill than countywide.
- Costs for rental housing in Morgan Hill also exceed those countywide. Apartment rents range from about \$500 for a one-bedroom unit to nearly \$1,600 for a four-bedroom unit. Average rents for one- and two-bedroom apartment are between \$1,000 and \$1,300. Rents for houses and townhomes range from \$1,400 for a two-bedroom home to over \$5,000 for a four-bedroom home.
- The affordability of housing in Morgan Hill has been an issue of concern for many years, but the magnitude of the problem has become especially critical over the past few years. The problem of housing affordability does not affect Morgan Hill alone, but is a regional problem, especially evident in Santa Clara County. With a slowing real estate market, prices have stabilized and are starting to decrease, but the employment rate and income level is also decreasing.
- Those at the lowest-end of the income spectrum are experiencing the greatest financial distress as a result. The City estimates that only 21 percent of very low-income residents can afford a rental unit in Morgan Hill (measured as 30 percent of a household's gross income). In 1990, even most low-income renters did not have affordable housing, although a comparison of current rents with income levels suggests that most low-income households earning more than 65 percent of the countywide median income can find affordable rental housing. The situation is much better for many moderate-income

households, with the majority of these households being able to find housing within an affordable cost range.

- Homeownership is out-of-reach financially for nearly all lower-income and most moderate-income households. About ten percent of low- or moderate-income households can afford to purchase a home in Morgan Hill.
- As a result of the rapid increase in higher paying jobs and the attractiveness of Morgan Hill as a residential community, housing cost and availability to lower- and moderate-income households has not kept pace with demand. Not only has this created a larger number of households for whom housing has become less affordable, but it has also widened the gap between the price of shelter and the income necessary to afford housing. Therefore, a meaningful housing strategy will require that there be a realistic assessment of the availability of programs and fiscal resources and a careful prioritization of the needs that are to be met.

### **Opportunities and Constraints**

- Most of the remaining land available for development is located on the valley floor and is served by infrastructure. Some sites remain that may be suitable for higher density housing, infill, or mixed-use developments, particularly in the City's redevelopment plan area. The cost of land, the cost of construction, and impacts on established surrounding neighborhoods, may limit the financial feasibility of, and the locational options for developing affordable housing. However, re-use potential of some sites in Morgan Hill, Redevelopment Agency funding, the availability of some vacant parcels for higher density housing, and the City affordable housing preferences under the RDCS, can create incentives for the production of affordable housing. According to the City's records, 905 affordable housing units were produced or under construction between 1999 and August 2005.
- The RDCS limits the number of new units that may be constructed in the City each year. Based on a percentage of the current population level, the City permits approximately 250 allotments annually. Projects compete for approval based on a number of factors including design, location, housing type, and provision of affordable units. Projects containing 100 percent affordable units participate in a separate competition established for such projects.
- Although the City has developed land use controls for environmentally sensitive areas of the City, few residential lands are located in environmentally sensitive areas. Environmental constraints are not significant in Morgan Hill, therefore.



# HOUSING NEEDS ASSESSMENT

## POPULATION CHARACTERISTICS

### Population

With the opening of Highway 101 in the late 1970s, Morgan Hill became an attractive City for commuters. Morgan Hill's population boom has experienced slower yet steadier population growth since the late 1970s due to implementation of a Residential Development Control System (RDCS) that limits growth in the City. Under the RDCS, approximately 175 new residential development project permits are currently issued each year. At least 20 percent of the allocations are set-aside for 100 percent affordable units. Of the remaining 80 percent of the allocations, affordable units are included in the competitive RDCS allocation where more points are given to projects including affordable units than to projects without affordable units, with 10 percent of the allocations having some affordable units. Although this limits the total number of units affordable to all income levels, it ensures that a portion of units receiving approval provide housing for moderate- and lower-income households. As a result of the RDCS, population growth has been steady throughout the 1990s. Changes in household composition related to age and the percentage of households with children have also had an influence on Morgan Hill's population.

Since 1990, the City's population has increased about 29 percent, more than the growth rate (11 percent) for Santa Clara County overall. According to the U.S. Census Bureau, the City's population was 23,928 in 1990 and 33,556 in 2000. City projections for population growth differ from the Association of Bay Area Governments (ABAG) projections as the City has taken the RDCS into consideration. Table 1 shows the difference between City and ABAG projections. Between 2005 and 2020, the City projects a 24 percent growth rate, compared to a 15 percent growth rate projected by ABAG. The City's projections are actually higher than ABAG's projections because the City projects better economic conditions in Morgan Hill than ABAG, which would result in higher demand for residency in the area.

**Table 1**

### Morgan Hill Population Projections

Year	City RDCS Projections	ABAG Projections
2005	36,500	35,600
2010	38,800	39,300
2015	43,400	40,900
2020	48,000	42,900

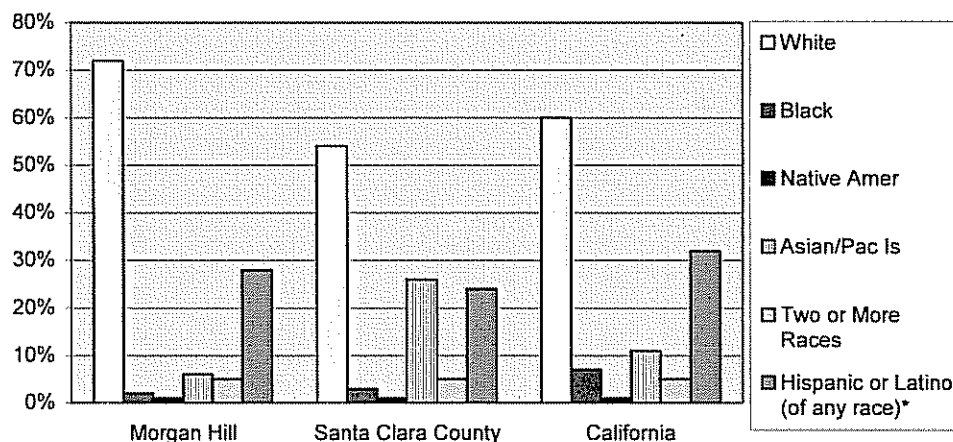
Source: Association of Bay Area Governments  
Projections 2005 and Morgan Hill General Plan, 2000.

## Ethnicity

In 2000, the relative proportions of the various ethnic groups in Morgan Hill varied significantly from those of other cities in Santa Clara County and from the state as a whole. While persons of Hispanic origin comprise about one-quarter of the countywide population and over one-third of the statewide population, such individuals comprise 28 percent of the City's population. Similarly, other minority groups representing large segments of the countywide and statewide populations consist of less than one-quarter of the city's population. Asian and Pacific Islanders comprise 6 percent of Morgan Hill's population, compared to 26 percent of the population within Santa Clara County and 11 percent statewide. Figure 1 compares ethnicity on a citywide, countywide, and statewide basis.

**Figure 1**

Comparison of Race by City, County, and State Population (2000)



Source: 2000 U.S. Census.

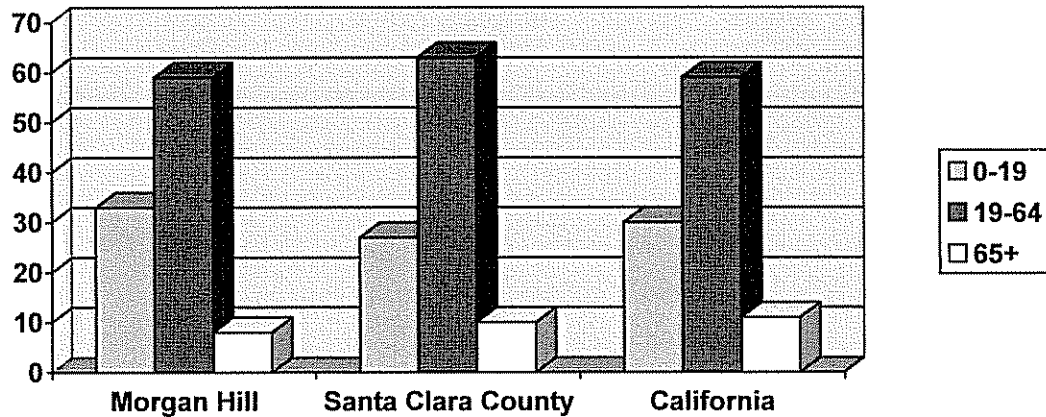
\*Population of Hispanic origin is not a racial category and is included as a percentage of the other population groups.

## Age

The age distribution in Morgan Hill is similar to the population of Santa Clara County as a whole, with a higher number of children living in the City and a lower number of working-age adults (Figure 2). The percentage of City residents 65 years of age or more and 24 years of age or less has remained approximately the same in Morgan Hill since 1990. The primary change in age between 1990 and 2000 results from an increase in the proportion of younger working-age adults (age 25-44) and a decrease in the proportion of older working-age adults (45-59). Although those age 45 to 59 represented a lower proportion of the population in 2000, this age group actually experienced the largest growth rate between 1990 and 2000, as did seniors age 85 and older. This suggests that new economic opportunity has drawn working-age adults into the area and that lengthening of the average lifespan has retained older residents. The City's median age is the same as in the county (34.0) but slightly higher than in the state (33.3).

**Figure 2**

2000 Age Distribution (percent)



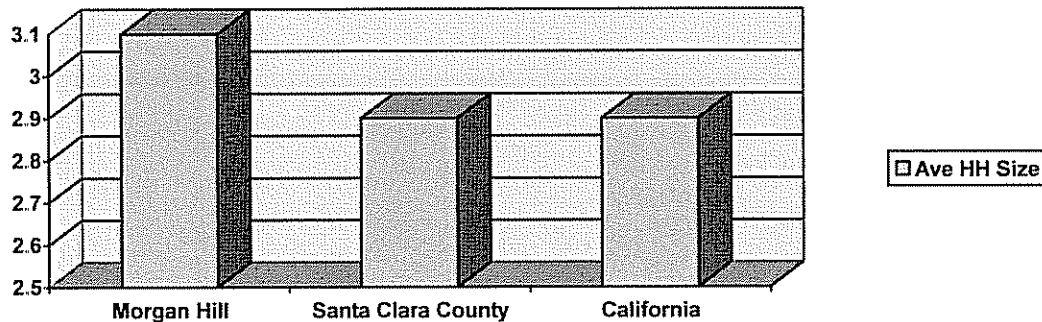
Source: 2000 U.S. Census.

## Households

According to 2000 U.S. Census figures, Morgan Hill has a larger percentage of family households than in the county or state for the same period. Morgan Hill has experienced a slight increase in household size since 1990, increasing from 3.0 to 3.1 over the 10-year period. Figure 3 compares average household sizes in Morgan Hill, Santa Clara County, and California for 2000. U.S. Census household figures for 2000 show that the average household size in Morgan Hill is now only slightly higher than Santa Clara County and the average statewide household size. ABAG projects the average household size in Morgan Hill will decrease to 2.86 persons per household by 2020.

**Figure 3**

**Average Household Size (2000)**



Source: 2000 U.S. Census.

Of the 10,846 households reported in Morgan Hill in 2000, 80 percent were family households, of which 63 percent were married-couple families. Fifty-five percent (4,769) of the 8,628 family households had children less than 18 years of age. Of the 4,769 families with children under age 18, approximately 23 percent were single-parent households, two-thirds of which were single mothers. The proportion of single-parent households in Morgan Hill in relation to all households with children was above the countywide level (20 percent) but below the statewide level (27 percent). Approximately 20 percent of the households in Morgan Hill were non-family households, of which 74 percent were persons living alone. Over one-third of those persons living alone were senior citizens, however, this only accounts for 6 percent of the total number of households in the City. The proportion of different types of households in Morgan Hill, in conjunction with the age distribution and household sizes, suggests a community with a higher proportion of family households and children.

## INCOME CHARACTERISTICS

According to the 1990 census, the median household income in Morgan Hill was \$53,480. This was above the county median of \$48,115. Federal income guidelines for participation in various housing subsidy programs (HUD), is based on the size of a household's income relative to the median income for the area. For a family of four, the median income was estimated to be \$87,300 in Santa Clara County in 2001. The Federal government does not provide income guidelines or estimates for individual cities, and 2000 Census information is not available at this time during the Housing Element update.

In evaluating income levels, four standard measures are often used: "very low-income," "low-income," "moderate-income," and "above moderate-income." These income levels are expressed as a percentage of the median income (the mid-point at which half of all households earn more and half earn less) and are usually adjusted for household size. Thus, a "low-income" household of four has a higher income than a "low-income" household of two. Income limits for households in Morgan Hill in 2001 are shown in Table 2. An income below \$48,350 for a single person was

considered low-income according to HUD. An income of \$91,150 for an eight-person household was also considered low-income.

**Table 2**

**Santa Clara County Household Income Limits (2001)**

<b>Household Size</b>	<b>Extremely Low-Income (30% of Median)</b>	<b>Very Low-Income (50% of Median)</b>	<b>Low-Income (80% of Median)</b>
1 Person	\$18,350	\$30,550	\$48,350
2 Persons	\$20,950	\$34,900	\$55,250
3 Persons	\$23,550	\$39,300	\$62,150
4 Persons	\$26,200	\$43,650	\$69,050
5 Persons	\$28,300	\$47,150	\$74,550
6 Persons	\$30,400	\$50,650	\$80,100
7 Persons	\$32,500	\$54,150	\$85,600
8 Persons	\$34,550	\$57,600	\$91,150

Source: HUD 2001 Income Guidelines

In a normally distributed population (that is, one not skewed to either end of the income scale), approximately 40 percent of the population will have incomes within the very low- and low-income ranges, about 20 percent within the moderate-income range, and about 40 percent in the above moderate-income range. A substantial dispersion of income within the City is around the median. Still, nearly half of Morgan Hill residents earned above moderate incomes in 2001 as defined below. Morgan Hill has a larger relative percentage of above moderate-income households and a smaller percentage of moderate- and low-income households in relation to the countywide income distribution, indicating that City residents are somewhat more prosperous than the average household countywide.

Table 3 shows the number of households in each income group in 2001. Figure 4 shows that nearly half (46 percent or 5,052 households) of Morgan Hill households had above moderate-incomes in 2001, while just over one-third (35 percent) had very low- or low-incomes, based on Claritas estimates. Approximately 2,086 households, or 19 percent, were very low-income, and 1,977 households or 18 percent, were low-income households. Moderate-income households comprised 17 percent of the households in Morgan Hill, or 1,867 households. Claritas estimates the median income in the City is \$91,356 in 2001. Although complete citywide census update data is not available for 2000, economic trends related to employment, property values, and rising home prices suggest that households who have moved to Morgan Hill since 1990 have higher average incomes than long-term residents. Unknown is whether incomes are rising faster in Morgan Hill than countywide. If the 2000 Census confirms this hypothesis, then the gap between countywide incomes and incomes among Morgan Hill residents has widened further, as the gap between city and county housing prices has also increased.

Although 2000 Census information was not available to compare changes in income since 1990, the Federal government estimates median income levels annually in each metropolitan area in the

country for the purpose of establishing income limits for eligibility for various Federal assistance programs. In 2001, the Federal government estimated that the median income for a three-person household (the approximate average household size in Santa Clara County) was \$78,600. The median income level for a four-person household was approximately \$87,300. HUD establishes these estimates to show how income limits within each income group can vary based on the number of persons within a household, with larger households requiring larger incomes than small households. These estimates can be used to determine a more accurate depiction of a household's ability to afford adequately sized housing.

**Table 3**

**2001 Morgan Hill Household Income**

<b>Income</b>	<b>Percent of Households</b>
Less than \$5,000	1%
\$5,000 - \$14,999	4%
\$15,000 - \$24,999	5%
\$25,000 - \$34,999	4%
\$35,000 - \$49,999	10%
\$50,000 - \$54,999	3%
\$55,000 - \$59,999	3%
\$60,000 - \$74,999	10%
\$75,000 - \$99,999	14%
\$100,000 - \$124,000	11%
\$125,000 - \$149,000	9%
\$150,000 - \$249,000	21%
\$250,000 - \$499,000	4%
\$500,000 or more	1%

Source: Claritas, 2001

**INCOME DEFINITIONS (2001):**

Very low-income = 50% or less of the Santa Clara County median income (\$43,559).

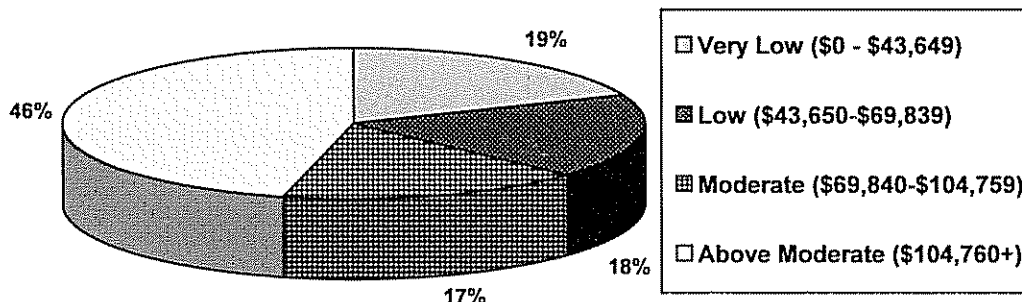
Low-income = 50.1% to 80% of the Santa Clara County median income (\$43,560 - \$69,839).

Moderate-income = 80.1% to 120% of the Santa Clara median income (\$69,840 - \$104,759).

Above Moderate-income = 120.1% or more of the Santa Clara County median income (\$104,760).

**Figure 4**

2001 Morgan Hill Income Distribution



Source: Claritas, 2001.

**Poverty**

The poverty level of income is a federally defined measure of the minimum income needed for subsistence living. The poverty level is an important indicator of severe financial distress, and the rate of poverty in a community (proportion of the population with poverty level incomes or less) provides important information about individuals and families in greatest financial need. The dollar threshold for poverty is adjusted each year by the Federal government for household size and composition. Table 4 provides 2000 poverty thresholds for several types of households. The Census Bureau only provides one nationwide figure for poverty and does not provide a separate poverty threshold specific to the City of Morgan Hill or Santa Clara County.

**Table 4**

Poverty Thresholds (2000)

Single Person 65+	\$8,259	Two Adults, One Child	\$13,861
Single Person Under 65	\$8,959	One Adult, Three Children	\$17,524
Two Persons 65+	\$10,409	Two Adults, Two Children	\$17,463
Two Persons Under 65	\$11,531	One Adult, Four Children	\$20,236
One Adult, Two Children	\$13,874	Two Adults, Three Children	\$20,550

Source: 2000 U. S. Census.

According to 1990 Census data, 5 percent of the City's population had incomes below the federally defined poverty level (Table 5). The rate of poverty in Morgan Hill was well below the countywide and statewide rates, indicating that even many low-income residents in the City are relatively better off than those in Santa Clara County. Female-headed households were most likely to have poverty level incomes, followed by persons of other ethnicities and persons of Hispanic origin. Poverty among these groups was more than double that of the population as a

whole in Morgan Hill. The poverty rate among female-headed households was over six times that of other households with children. Likewise, persons of Hispanic origin had twice the poverty rate of nearly all other races, with the exception of Blacks. Households with persons of Asian origin and married-couple families were least likely to have poverty level incomes. Between different age groups, poverty rates were fairly even. Children had a 1 to 2 percent higher rate than adults and seniors. The City had a 5 percent poverty rate among the total population and total households. The elderly and non-elderly groups also had 5 percent poverty rates each. Those with lower poverty rates include adults, non-female headed households with children, Asian/Pacific Islanders, Native Americans, and Whites. Those above the City poverty rate include children, female-headed households with children, Blacks, Hispanics, and Others.

By comparison, slightly less than 8 percent of the County's population was below the poverty level. Patterns of poverty were similar countywide as in Morgan Hill—groups with highest and lowest poverty rates were similar. Census data for the State revealed that approximately 18 percent of the total population was below the poverty level in 1990, although statewide poverty levels have declined substantially over the past two years. Even so, the City's poverty rate is still nearly one-fourth of the statewide rate.

**Table 5**

**Morgan Hill 1990 Poverty Rates**

Group	Above Poverty Level	Below Poverty Level	Poverty Rate
Elderly	1,592	78	5%
Non-Elderly	18,972	978	5%
Children	6,585	384	6%
Adults	15,779	672	4%
Female Householders w/Children	594	149	20%
Householders w/Children	295	8	3%
Married Couple Families	5,173	60	1%
Black	319	27	8%
Asian/Pacific Islander	1,199	19	2%
Hispanic	4,754	581	11%
Native American	178	6	3%
Other	1,877	290	13%
White	18,791	714	4%
Total Population	22,364	1,056	5%
Total Households	7,502	356	5%

Source: 1990 U S Census

## EMPLOYMENT TRENDS

The 1990 Census data shows that most residents were employed in sales, administrative support, and technical support occupations (35 percent of employed residents) and managerial and



professional specialty occupations (33 percent of employed residents). This is a higher percent than most communities in California and explains the higher number of above-moderate incomes in the City. Other occupations such as service, farming, repair, and manufacturing represented less than one-third of all occupations in the City.

The 1990 Census data shows that 94 percent of the employed residents work within Santa Clara County; however, only about 30 percent of these employees worked in Morgan Hill. A majority of residents travel between 10 and 20 minutes to work, with over half of the residents traveling under 30 minutes to work.

ABAG projections for Morgan Hill show a steady increase in the number of jobs from 2000 to 2020, increasing from 15,220 to 25,890, or 70 percent. If all of these jobs were to be filled by future Morgan Hill residents, the projected job growth would create a demand for 6,500 to 7,000 new housing units over 20 years, based on the current ratio of jobs per household in Morgan Hill. Many of these jobs however will be filled by a combination of current residents and others who do not live in Morgan Hill, so the precise impact on housing demand is difficult to predict. Morgan Hill is a strong commuter community, therefore Morgan Hill provides more housing than jobs. This trend is expected to continue over the next five years.

According to ABAG Projections 2000, the largest concentration of jobs in Morgan Hill is in the service sector. Projections for 2000 show 770 jobs (5 percent) in agriculture and mining, 2,790 jobs (18 percent) in manufacturing and wholesale, 2,130 retail jobs (14 percent), 6,360 service jobs (42 percent), and 3,170 other jobs (21 percent). By 2020, service and retail jobs are expected to increase at a steady rate, with slight increases in manufacturing, slight decreases in other jobs, and significant decreases in agriculture and mining.

The top 20 employers in Morgan Hill are listed in Table 6. Businesses choose to locate in Morgan Hill because of 1) the proximity to a skilled and semi-skilled workforce, 2) land values are superior to those in San Jose, and provide businesses with less property overhead costs, 3) the proximity to affordable housing, and 4) the high quality of life. Morgan Hill is just beginning to draw high-tech companies to the area, and should continue to do so as rising costs in northern Santa Clara County become unmanageable.

**Table 6**

**Top 20 Employers in Morgan Hill (January, 2001)**

<b>Company</b>	<b>Employees</b>
Anritsu/Wiltron	1,000
Morgan Hill Unified School District	900
Abbott Laboratories	500
Media Arts Group	400
Cloverleaf Construction	250
Fox Racing	219
Custom Chrome	202
Ericsson	200
City of Morgan Hill	175
Safeway	173
Sakata Seeds of America	150
Target	140
Mervyn's	131
Advanced Machine Programming	124
Specialized Bicycle Components	123
North Coastal Medical	118
Intercon Technology	110
Diversified Software Systems	100
CIDCO Corporation	95

Source: City of Morgan Hill phone survey and Morgan Hill Chamber of Commerce January 10, 2001.

According to the EDD 1995-2002 projections data for Santa Clara County, the largest industries in the County are services (46 percent growth), retail (24 percent growth), and manufacturing (9 percent growth). The business services sector is expected to account for the largest growth, with more than 80,000 new jobs. The fastest growing occupations in the County between 1995 and 2002 are expected to be computer system analysts/electronic data processors (95 percent), home health care workers (86 percent), computer engineers (68 percent growth), amusement/recreation attendants (68 percent), computer support specialists (58 percent), and database administrators (56 percent). Occupations that have large employment and high turnover rates generally provide the most job openings. Santa Clara County is projected to have employment opportunities not only in these high turnover occupations but also in the more technologically advanced categories. Claritas' 2001 estimates for Morgan Hill show that higher percentages of residents are employed in executive and managerial (16 percent), professional specialty (16 percent), administrative support (16 percent), and sales positions (13 percent).

Despite projections for strong job prospects and regionally available high-paying jobs for City residents, many of the jobs expected to be created in Morgan Hill will be in services and retail industries that typically employ low- and moderate-income wage earners. However, growth in manufacturing and high-tech jobs will also grow, employing moderate- to above moderate-income wage earners. For these reasons, Morgan Hill will continue to experience a strong local demand for housing affordable to a variety of income groups. The large number of high paying jobs in the region in recent years has created an upward pressure on housing costs that has left behind other wage earners who have not shared in the newfound wealth. The result is that households previously considered middle class, such as teachers and public safety personnel have joined the ranks of other disadvantaged groups in need of affordable housing. According to the 1998 Occupational Employment Statistics Survey produced by the EDD, the mean hourly wage for Santa Clara County is \$19.42.

EDD produced an Occupational Employment and Wage Data spreadsheet by County for 2000. This spreadsheet lists over 600 jobs in Santa Clara County alone. A sample of jobs and salaries was taken relating to general occupations in Morgan Hill. Data regarding those occupations expected to experience the greatest increase are also included. The mean annual wage, and the 25<sup>th</sup> percentile and 75<sup>th</sup> percentile of the working force for each job category, are listed below (Table 7).

**Table 7**

**Occupational Employment and Wage Data for Santa Clara County 2000**

<b>Occupational Title</b>	<b>Employment Estimates</b>	<b>Mean Annual Wage</b>	<b>25<sup>th</sup> Percentile Annual Wage</b>	<b>75<sup>th</sup> Percentile Annual Wage</b>
Management	73,130	\$91,212	\$30.11	\$59.16
Professional Occupations	271,560	\$56,188	\$17.84	\$34.95
Computer Systems Analyst	8,940	\$76,487	\$25.99	\$47.23
Computer Engineer	15,700	\$85,044	\$32.00	\$50.25
Computer Support Specialist	11,240	\$63,381	\$22.89	\$36.99
Database Administrator	2,500	\$63,738	\$23.50	\$40.36
Home Healthcare Provider	*	\$21,534	\$8.54	\$11.39
Service Occupations	147,820	\$26,420	\$7.40	\$15.50
Amusement/Recreation Attendant	1,740	\$15,908	\$6.57	\$8.43
Sales Occupations	88,520	\$36,932	\$8.09	\$22.51
Office and Administrative Support Occupations	157,070	\$32,128	\$11.02	\$19.00
Farming, Fishing, and Forestry Occupations	2,120	\$16,520	\$6.36	\$8.84
Construction and Maintenance Occupations	39,580	\$44,007	\$14.24	\$27.30
Production Occupations	110,320	\$29,031	\$9.11	\$17.03
Transportation Occupations	57,510	\$24,884	\$7.66	\$15.39

Source: EDD, 2000

\*Some information was not available

## **SPECIAL NEEDS**

Special housing needs arise due to physical, economic, social, or cultural characteristics or conditions that are present in a substantial percentage of the local population. These characteristics or conditions distinguish individuals from the general population and lead to housing or supportive services needs that are not (or cannot) be met by the private market acting alone. Examples of special housing needs include accessibility for the mobility impaired, transitional housing for those leaving a homeless environment, and housing specifically designed for the physical and social needs of older adults.

Characteristics such as age or physical limitations may be present in a large portion of the population that can affect housing choices and needs. For example, handicapped accessible housing or units that are designed to aid the physical limitations of the elderly may be needed in a community with a large population of this age group. Conversely, a community may have a large population of large, low-income families that need adequately sized housing at a low cost, or a large number of students attending a nearby college or university. Affordability issues are also

important to groups such as female-headed households, farm workers, or military personnel. Therefore, the City needs to evaluate the types of special needs groups in order to address the special housing needs. In Morgan Hill, there are several important special needs groups as evaluated below.

## Elderly

As is the case in many well-established suburbs, the numbers and percentages of the elderly population remain a significant part of the local population. Table 8 lists the population figures by age of those residents in Morgan Hill over the age of 55 and over the age of 65, during a ten-year period. It also shows that the percentage of elderly age 55 and over in the overall population increased during this same time period. According to the 2000 Census, 8 percent of the 2000 population was above the age of 65 (2,508) and 15 percent above the age of 55 (5,163).

**Table 8**

### Pattern of Aging of the Morgan Hill Population

	1990	2000	Percent Change
Total Population	23,928	33,556	29%
Population 55+	3,155 (13%)	5,163 (15%)	39%
Population 65+	1,808 (8%)	2,508 (8%)	28%

Source: 1990-2000 U.S. Censuses.

Indications are that the percentage of elderly residents will increase as residents in their 50s reach retirement age. Since the elderly population is increasing, this indicates that Morgan Hill is able to provide a variety of housing choices for seniors, housing remains affordable, and the community is a desirable place to retire.

In 1990, the incidence of poverty was slightly higher among the population over 65 years of age (5 percent) than it was for the population between the ages of 18 and 64 (4 percent). The poverty rate among seniors was well below the countywide and statewide rates. However, the 1990 Census reports that nearly 75 percent of persons over the age of 65 had very low or low incomes. One hundred and ninety-two persons over the age of 65 received public assistance in 1990. That same year, 99 homeowners age 65 and older paid 30 percent of their incomes or more on housing. This represented 24 percent of all elderly homeowners. By comparison, 43 percent of non-elderly homeowners paid 30 percent or more of their income on housing. Approximately 83 percent (165 renters) of elderly renters paid 30 percent or more of their income on housing. By comparison, 43 percent of non-elderly renters paid 30 percent or more of their income on housing. Thus, elderly renters as a group had a higher incidence of overpayment, and more senior renters than homeowners overpaid for housing in 1990. This was due to high long-time ownership rates among seniors and high rental costs for senior care living facilities.

Tenure is important when analyzing the needs of seniors. The percentage of seniors living in owner-occupied housing was 78 percent according to the 1990 Census, compared to 72 percent of the population at large. Because many senior citizens live on fixed-incomes some are likely to

face difficulty with the costs of major home repairs. In combination with mobility limitations or the need for supportive services (such as medical or meal assistance), it can become very challenging for the elderly to adequately meet their housing needs. A more senior population living in an aged housing stock leads to a need for rehabilitation programs for existing units, as well as the creation of affordable senior housing units.

## Available Senior Housing

There is some housing for younger seniors who might otherwise sell their family homes to relocate into smaller homes with less maintenance requirements. There are a number of facilities in the City that offer institutionalized care; however, many of these facilities have extensive waiting lists. There are a variety of facilities that offer independent living for seniors, including two senior ownership communities and seven senior rental complexes. There is only one low-income senior complex; however, seniors must participate in an application process to qualify. This process can often take more than a year to complete. As a result, many seniors may opt to remain in their homes rather than relocate.

The City of Morgan Hill adopted the Mobile Home Rent Stabilization Ordinance to encourage stability in mobile home rent increases in a manner that is fair to both tenants and property owners. Under this ordinance, rents may be increased once every 12 months by a maximum of 75 percent of the Consumer Price Index for the previous 12 months. Rents may not be increased by more than 8 percent without approval from the Mobile Home Rent Stabilization Commission. Mobile home spaces that are owner-occupied or leased for periods greater than 12 months are not covered by this ordinance; therefore, not all spaces within these mobile home parks are subject to the ordinance. There are seven mobile home parks in Morgan Hill: Acacia Associates, Alpine Motel, Hacienda Valley, Madrone, Northwind, Windmill, and Woodland. Together, the seven mobile home parks offer 810 spaces in the City, of which 484 are covered by the ordinance. Hacienda Valley, Windmill, and Woodland provide senior mobile home units. These three mobile home parks offer 541 spaces, of which 234 spaces were covered by this ordinance in 1999. This ordinance stabilizes mobile home rent increases so that seniors and others renting mobile home spaces are better able to afford these units and prepare for potential rent increases.

One common special need for a portion of the elderly is for assisted living facilities that combine meal, medical, and daily living assistance in a residential environment. There are four State Department of Social Services licensed elderly residential care facilities in Morgan Hill. Valley Pines is licensed for 49 residents, Villa Amor is licensed for six persons, Villa Heights is licensed for 15 persons, and Villa Rose offers services for 15 persons. In addition, Project Match of San Jose matches seniors together for senior shared housing, which reduces housing costs for seniors with fixed incomes. According to the City of Morgan Hill's senior housing listing for 2001, the following housing complexes offer residential care or rental units for seniors in Morgan Hill:

<u>Development</u>	<u>Type</u>
● Buena Vista Heights	Senior Housing
● Cottage Greens	Rentals
● Hacienda Mobilehome Estates	Rentals
● Hillview Convalescent Hospital	Residential Care
● Las Casas De San Pedro	Rentals (10 one-bedroom, 54 two-bedroom)
● Pacific Heights Manor	Residential Care
● Ross Care Heights	Residential Care

● Ross Care Terrace	Residential Care
● Shadowbrook Gardens	Rental cottages (21 one-bedroom and 6 two-bedroom)
● Sycamore Glen	Low-Income Rentals (6 studios and 13 one-bedroom)
● Valley Pines Retirement Inn	Residential Care
● Villa Teresa Apartments	Rentals (28 one-bedroom and 2 two-bedroom units)
● Windmill Mobilehome Park	Rentals
● Woodland Mobilehome Estates	Ownership-Senior Community

Morgan Hill will remain an attractive place to live for families seeking to purchase homes in Santa Clara County. These new residents are primarily affluent young families with school-aged children. They want to purchase homes in the community but the available housing stock is limited because many of the current homeowners are seniors who have little alternative housing options in the community once they sell their homes. As a result, many seniors may delay the decision to sell their homes, reducing turnover in the local housing market and opportunities for new families to move to Morgan Hill.

Many of the seniors who might consider selling their home are younger, active seniors who do not yet require institutional, nursing care. There is a need in the community to provide high-quality, independent living senior housing that provides on-site nursing care and individual living units. Because many seniors desire to “downsize” when they move, these senior housing developments will necessarily be higher density projects with on-site supportive services. An increase in this type of available housing for seniors makes it possible for them to sell their homes and remain in the community.

## Disabled Citizens

The City of Morgan Hill estimates there are 117 disabled residents living in the City (City of Morgan Hill, 2001). However, the 1990 Census estimated that approximately 3 percent of the City’s non-institutionalized residents (624 persons) have physical conditions that affect their ability to live independently in conventional residential settings. These individuals have mobility impairments, self-care limitations, or other conditions that may require special housing accommodations or financial assistance. While many of these individuals may not have such severe limitations that could be defined as disabling, individuals with such physical challenges can have a number of special housing-related needs that distinguish them from the population at large. Individuals with mobility difficulties (such as those confined to wheelchairs) may require special accommodations or modifications to their homes to allow for continued independent living. Such modifications are often called “handicapped access.”

Individuals with self-care limitations (which can include persons with mobility difficulties) may require residential environments that include in-home or on-site support services, ranging from congregate to convalescent care. Support services can include medical therapy, daily living assistance, congregate dining, and related services. Individuals with developmental disabilities and other physical and mental conditions that prevent them from functioning independently may require assisted care or group home environments. Individuals with disabilities may require financial assistance to meet their housing needs because a higher percentage are low-income than the population at large, and their special housing needs are often more costly than conventional housing.

Some people with mobility and/or self-care limitations are able to live with their families to assist in meeting housing and daily living needs. A segment of the disabled population, particularly low-income and retired individuals, may not have the financial capacity to pay for needed accommodations or modifications to their homes. In addition, even those able to pay for special housing accommodations may find them unavailable in the City.

Disabled persons often require special housing features to accommodate physical limitations. Some disabled persons may have financial difficulty due to the cost of having their special needs met or due to difficulty in finding appropriate employment. Although California Administrative Code Title 24 requires all public buildings to be accessible to the public through architectural standards such as ramps, large doors, and restroom modifications to enable handicap access, not all available housing units have these features.

According to the 1990 Census, 402 persons, or 3 percent, between the ages of 16 and 64 had mobility and/or self-care limitations. Approximately 222 persons over age 64 had mobility and/or self-care limitations.

Many persons with disabilities can benefit from a residential environment that provides supportive services in a group setting. Although there are no city-based agencies serving the disabled, San Andreas Regional Center is a community-based California state-funded program designed to serve persons with a developmental disability, as required by the Lanterman Developmental Disabilities Services Act. The Center is a private, nonprofit corporation under contract for provision of services through the State Department of Developmental Services. San Andreas Regional Center serves the four-county area of Monterey, San Benito, Santa Clara and Santa Cruz. In addition, Housing for Independent People is an organization in San Jose that places and provides housing for people with special needs. Villa Ciolino in Morgan Hill offers two ADA units.

## **Female Heads of Households**

Most female-headed households are either single elderly women or single mothers. Traditionally, these two groups have been considered special needs groups because their incomes tend to be lower, making it difficult to obtain affordable housing, or because they have specific physical needs related to housing (such as child care or assisted living support). Single mothers, in particular, tend to have difficulty in obtaining suitable, affordable housing. Such households also have a greater need for housing with convenient access to child-care facilities, public transportation, and other public facilities and services.

According to the 2000 Census, approximately 1,200 of the City's 10,846 households are female-headed households, or approximately 11 percent of all households in Morgan Hill. According to the 1990 Census, 124 of the City's female-headed households with children under age 18 are classified as living below the poverty level. This figure does not include the 25 female-headed households living below the poverty level without children. These 124 households with children account for 57 percent of the total 217 families below poverty in the City and 25 percent of the total female-headed families. It may be assumed that most of these households are overpaying for housing (i.e. more than 30 percent of their income), or are experiencing other unmet housing needs. As a result of poverty, female heads of households often spend more on immediate needs such as food, clothing, transportation, and medical care, than on home maintenance, which results in living units falling into disrepair.



## **Large Families**

Large families (usually defined as family households with five or more persons) can have difficulty securing adequate housing due to the larger number of bedrooms they need (three or more) to avoid overcrowding. It becomes even more difficult when large families try to find adequate rentals within their budget, because rentals typically have fewer bedrooms than ownership housing. Low-income large families typically need financial assistance in Santa Clara County to secure affordable housing that meets their space needs.

Although 2000 Census data on household size is not available, the Claritas 2001 Demographic Snapshot for Morgan Hill estimates household size based on a combination of 1990 and 2000 household and population data and growth ratios. Claritas' 2001 estimates there are nearly 14 percent or approximately 1,524 households of five or more persons in Morgan Hill, an increase from the 1,194 large households represented in the 1990 Census. Of the large households in 1990, 1,187 were large families and the remaining seven were non-family households. Large households occupied approximately 15 percent of owner-occupied units and 16 percent of renter-occupied units. According to the 2000 U.S. Census, the median household size is 3.1 people per household, whereas the Department of Finance estimates 3.2 persons per household (Department of Finance 2001). At the time of the 1990 Census, the largest number of households had only two persons (2,333 out of 7,858). The next largest group was four person households (1,572 out of 7,858) and following closely behind was three person households (1,502 out of 7,858), similar to Claritas' 2001 estimates.

The City contains more housing units with four or more bedrooms (32 percent) than the number of large households with the need for multi-bedroom dwelling units. There is an adequate supply of dwelling units to meet the space needs of large families. Few of these larger homes are affordable to low- or moderate-income large families, however. In 2000, \$12,274,107 was used for the rehabilitation of Village Avante, which provides 65 rental units suitable for large families. These units fall within very low- and low-income rent limits.

## **Farm Workers**

According to the 1990 Census, 373 persons (3 percent) were employed in farming, forestry, and fishing occupations of a total labor force of 12,311 in Morgan Hill. The EDD includes farm workers, nursery workers, delivery truck drivers for produce and flower, horticulturists, landscapers, tree trimmers, and lawn gardeners in this category. Although the City itself does not have a large farmworker population, Morgan Hill is located in area of southern Santa Clara County with significant agricultural activities. The City does not have a significant need for seasonal housing for persons employed in agricultural work, but year round residents employed in agriculture are likely to have lower incomes and find it difficult to obtain affordable housing. Farmworker families, in particular, will likely have the greatest unmet housing needs, given their significantly lower incomes. As a result, they have a higher probability of being impacted by substandard housing conditions and overcrowding. Since the number of farmworkers is decreasing, issues associated with the provision of adequate farmworker housing are also decreasing.

## **Homeless**

Homelessness is caused by a number of social and economic factors, including a breakdown of traditional social relationships, unemployment, shortage of low-income housing, and the deinstitutionalization of the mentally ill. A homeless person lacks consistent and adequate

shelter. Homeless persons can be considered resident (those remaining in an area year-round), or transient. Emergency and transitional shelters can help to address the needs of the homeless. Emergency shelters provide a short-term solution to homelessness and involve limited supplemental services. In contrast, transitional shelters are designed to remove the basis for homelessness. Shelter is provided for an extended period of time, and is combined with other social services and counseling, to assist in the transition to self-sufficiency.

The nature of the homeless population makes exact counting difficult. The 1990 Census found no "visible" persons living on the streets and no people in homeless shelters. However, Census counts are not generally accepted as an accurate reflection of homelessness. Because the homeless move around and are not always visible on the street, it is difficult to get an accurate count of homeless persons in a community. Discussions with social service organizations and others dealing with emergency housing and the homeless on a daily basis reveal that there are homeless in the area. Many employed people live out of cars, tents, or continuously transition from place to place because they cannot afford the initial costs of a rental unit. The Police Department does not track the number of homeless in Morgan Hill, however, local shelters estimate that there are approximately 80 homeless persons in the City of Morgan Hill and 20,000 homeless persons in Santa Clara County.

### **Agencies Offering Homeless Assistance**

The fiscal year 2000-2001 Community Development Block Grant Budget provides \$2,300 to Catholic Charities for their ombudsman program, \$3,300 to Operation Brown Bag, and \$11,767 to the Emergency Housing Consortium Winter Homeless Shelter. The City offers one homeless shelter program at La Isla Pacifica Shelter for Battered Women and Their Children, operated by Community Solutions for Children, Families, and Individuals. This shelter was granted \$15,000 in RDA 20% Set-aside funds in fiscal year 2000/2001. La Isla Pacifica provides battered women and their children with 24-hour crisis intervention, counseling and support, legal advocacy, and emergency assistance, including a 15-bed shelter. Those seeking help are able to use the shelter for a 45-day period. On average this program provides shelter service to ten Morgan Hill women and their children; counseling service to 20 residents; and emergency assistance to 35 individuals. Community Solutions for Children, Families, and Individuals provides behavioral healthcare services, prevention and education services for homelessness and pregnancy cases, and community counseling services such as foster care, literacy, and employee assistance. Although these services are not intended specifically for homeless individuals and families, homeless persons often avail themselves of food and clothing closets that help the poor. St. Catherine's Church and the Assembly of God Church offer food bag assistance and Catholic Social Services and Community Solutions provide emergency/crisis assistance. There are organizations in surrounding cities that serve the needs of Morgan Hill residents, such as the San Jose Salvation Army (food/rent), The Lord's Table of Gilroy (hot meals), Second Harvest Food Bank of San Jose (food), and Sacred Heart Community Service of San Jose (limited rental assistance, non-Section 8). In addition, there are a number of organizations that help people find affordable housing, such as Bridge Housing Corporation of San Francisco, Community Housing Developers of San Jose, Emergency Housing Consortium of San Jose, and First Community Housing (affordable housing in the Bay Area). Homesave, a collaboration of seven agencies in Santa Clara County, is building transitional housing for battered women and children leaving shelter service. The transitional housing helps victims become independent and able to afford future housing. The City of Santa Clara hosts the first transitional housing development. The 24-unit shared housing development is the first of four transitional housing developments planned for Santa Clara County, with future developments planned for San Jose, North Santa Clara County, and South Santa Clara County.

### *Emergency Housing Consortium of Santa Clara County*

In fiscal year 2000-2001, the City of Morgan Hill contributed \$11,767 in Community Development Block Grant (CDBG) funds to the Emergency Housing Consortium in order to provide shelter and services for 80 homeless residents of Morgan Hill. The funds contributed to 7,500 nights of shelter, in addition to housing assistance programs, health care, transitional services, and other needed services for the homeless of the City. Their most successful program is the Transitional Housing Program (THP). This program enables a person to obtain a job and eventually achieve independence in a conventional housing environment. Under THP, a person with a job is entitled to a cubical with a bed for \$200 per month for up to 3 months. Another program, The Working Man's Program, grants individuals who are employed a bed for up to 30 days while they seek permanent housing.

Other Consortium programs include the New Start Program, which helps homeless individuals obtain employment, and the Waste Management Program, which gives people a job with the Waste Management Department for the City of San Jose. Under these programs, participating individuals are guaranteed beds at a cost of one-third of their paychecks, with the potential to move into transitional housing. Currently the single person capacity is 125 for the spring and summer season. During the winter, the capacity can increase to 250 to 300 beds, including floor mats. There are also rooms available for families that have sufficient income to qualify. Lastly, the Consortium offers a Volunteer program through its facility, which in return guarantees a room for 30 days. The Emergency Housing Consortium has shelters and programs located in Sunnyvale, Santa Clara, San Jose, San Martin and Gilroy.

During the 2000/2001 fiscal year, the Consortium plans to provide 80 homeless persons in Morgan Hill 7,500 nights of shelter. The Consortium's goal is to provide 70 percent of their case managed clients with stable housing in 2000/2001. They were 100 percent successful in fiscal year 1999/2000 and 87 percent successful in fiscal year 1998/1999 (Emergency Housing Consortium, 2001).

### *San Jose Family Shelter*

This facility provides overnight rooms and meals for families with children for stays of up to three months. The Program can accommodate 35 families (143 people). There are currently 33 families occupying 35 rooms. A case manager helps each family with its individual circumstances.

## **MORGAN HILL HOUSING PROFILE**

In 2000, nearly two thirds of the City's housing units were single-family detached homes (64 percent), followed by single-family attached units (13 percent), multiple units of five or more (9 percent), mobilehomes (8 percent), and multiple units of two to four (6 percent). Countywide, there is a substantially higher percentage of housing units in multi-family buildings and a lower percentage of single-family homes than in Morgan Hill. By comparison, the proportion of different types of housing countywide remained constant between 1990 and 1999—56 percent single detached houses, 25 percent multiples of five or more units, 9 percent single attached houses, 8 percent multiples of two to four units, and 4 percent mobilehomes.

Annual changes in the housing stock fluctuated between 1990 and 2000 with slow growth between 1991 and 1995, and more rapid growth between 1995 and 2000. Most new residential construction comprised single-family homes, with 1,799 houses added since 1990 (26 percent

increase). However, the highest growth rate occurred among attached single-family homes (29 percent). Tables 9 and 10 show the annual changes in the housing stock between January 1990 and January 2000 as determined by the California Department of Finance.

According to the Morgan Hill Building Division, 76 single-family dwelling unit permits and four multi-family dwelling unit permits were issued in the City as of August 2001. The August status report for housing permit approvals revealed that there were 677 units currently under construction, of which 457 were single-family units, 82 were single/multi-family units, and 138 were multi-family units. In addition to the projects under construction as of August 10, 2001, 430 units were in review or were approved and had not commenced construction.

**Table 9**

Housing Estimates for the City of Morgan Hill (1990 through 2000)

Year	Housing Units								Persons Per Household
	Total	Single		Multiple		Mobile	Occupied	% Vacant	
		Detached	Attached	2 to 4	5 Plus	Homes			
1990	8,157	5,003	958	553	791	852	7,808	4.3	3.0
1991	8,475	5,294	960	573	796	852	8,112	4.3	3.0
1992	8,603	5,412	970	573	796	852	8,235	4.3	3.0
1993	8,717	5,454	1,026	576	809	852	8,344	4.3	3.0
1994	8,829	5,526	1,065	582	804	852	8,451	4.3	3.0
1995	8,988	5,627	1,123	582	804	852	8,603	4.3	3.1
1996	9,284	5,935	1,123	594	780	852	8,886	4.3	3.1
1997	9,531	6,098	1,190	598	793	852	9,122	4.3	3.2
1998	9,951	6,324	1,286	620	869	852	9,524	4.3	3.2
1999	10,306	6,545	1,286	658	965	852	9,864	4.3	3.2
2000	10,701	6,802	1,356	676	1,015	852	10,242	4.3	3.2
2001	11,260	N/A	N/A	N/A	N/A	N/A	11,011	2.2	N/A

Source: California Department of Finance, 1990-2001 City/County Population and Housing Estimates.

**Table 10**

**Housing Estimates for Santa Clara County (1990 through 2000)**

Year	Housing Units								Persons Per Household
	Total	Single		Multiple		Mobile Homes	Occupied	% Vacant	
1990	540,240	303,212	47,668	42,096	126,338	20,926	520,180	3.7	2.8
1991	543,532	304,332	47,956	42,167	128,155	20,922	523,532	3.7	2.8
1992	547,884	305,447	48,210	42,407	130,972	20,848	527,541	3.7	2.8
1993	551,584	306,578	48,872	42,507	132,779	20,848	531,107	3.7	2.9
1994	555,429	308,364	49,060	42,699	134,628	20,678	534,729	3.7	2.9
1995	559,010	310,242	49,423	42,742	135,984	20,619	538,094	3.7	2.9
1996	562,352	312,166	49,423	43,018	137,126	20,619	541,406	3.7	2.9
1997	566,164	314,649	49,531	43,225	138,141	20,618	544,358	3.8	3.0
1998	573,593	318,463	49,725	43,594	141,193	20,618	551,516	3.8	3.0
1999	581,532	322,454	49,839	43,760	144,861	20,618	559,166	3.8	3.0
2000	589,010	325,874	50,045	44,062	148,411	20,618	566,188	3.8	3.0
2001	584,068	N/A	N/A	N/A	N/A	N/A	570,495	2.3	N/A

Source: California Department of Finance, 1990-2001 City/County Population and Housing Estimates.

## Housing Occupancy and Tenure

Of the 10,701 year-round dwelling units reported by the Department of Finance, 10,242 units (96 percent) were occupied and 459 units (four percent) were vacant in 2000. However, 2000 Census reports show that 245 units in Morgan Hill were vacant (Table 11). In 2000, more housing units were owner-occupied (72 percent) than renter-occupied (28 percent). By comparison, the tenure of occupied housing units in the County was 60 percent owner-occupied units and 40 percent for renter-occupied units.

## Rental Availability

Rental availability in Morgan Hill is low, with a rental vacancy rate of 2.6 percent. The low vacancy rate means that there are limited housing choices for residents who cannot afford to purchase a home in Morgan Hill. A 5 percent rental vacancy rate is considered necessary to permit ordinary rental mobility. With a 2.6 percent vacancy rate tenants have difficulty locating appropriate units in Morgan Hill. Although there are many rent controlled units made available to low- and moderate-income residents, the strong market pressure has inflated non-controlled rents beyond the reach of the very low-, low-, and moderate-income Morgan Hill residents.

**Table 11**

**Type of Vacant Units in Morgan Hill (2000)**

Unit	Number of Units in City	Number of Units in County	Percent of City Vacant Units*	Percent of County Vacant Units*
For Rent	81	4,255	33%	32%
For Sale Only	49	1,575	20%	12%
Seasonal	34	2,505	14%	19%

Source: 2000 U.S. Census.

\*Note: Percentage totals do not equal 100, as units that are vacant yet unavailable for any type of occupancy are not listed by the Census.

Analysis of tenure by ethnicity for 1990 (2000 tenure by ethnicity is not yet available) in Table 12 reveals that most homeowners and renters in Morgan Hill and Santa Clara County are White. The results are largely a function of population distribution, as Whites comprise the largest percent of the population.

**Table 12**

**Tenure by Race and Hispanic Origin (1990)**

Race	Morgan Hill	Percent	Santa Clara County	Percent
<b>Owner Occupied Units</b>				
White	4,619	83%	225,224	78%
Black	57	1%	5,926	2%
Native American	35	1%	1,057	<1%
Asian/Pacific Islander	269	4%	41,184	14%
Others	0	0%	19,834	4%
Hispanic Origin	603	11%	13,148	5%
<b>Renter Occupied Units</b>				
White	1,436	65%	131,173	69%
Black	21	1%	11,657	6%
Native American	32	1%	1,254	<1%
Asian/Pacific Islander	27	1%	26,812	14%
Others	6	>1%	222	<1%
Hispanic Origin	703	32%	19,612	10%

Source: 1990 U.S. Census.

Ownership rates shown in Table 13 reveal that there were more owners in most ethnic groups than renters, with the exception of persons of other races and Hispanic origin. Asian/Pacific Islanders had the highest rate of homeownership, followed by Whites and Blacks. The low homeownership rate among persons of Hispanic origin in Morgan Hill is likely indicative of their lower incomes.

**Table 13**

**Homeownership Rates**

<b>Race</b>	<b>Owners</b>	<b>Renters</b>	<b>Ownership Rate</b>	<b>Rental Rate</b>
White	4,619	1,436	76%	24%
Black	57	21	73%	27%
Native American	35	32	52%	48%
Asian/Pacific Islander	269	27	91%	9%
Other	0	6	0%	100%
Hispanic Origin	603	703	46%	54%

Source: 1990 U.S. Census.

Analysis of 1990 Census data on tenure by age of householder in Morgan Hill reveals adults aged 45 and over tended to have higher homeownership rates, while younger adults mostly rented rather than owned their homes. With the exception of householders under age 35, between 75 percent and 84 percent of residents of Morgan Hill own their own homes. Even among householders age 25 to 34, over half (52 percent) are homeowners. This is an exceptionally high homeownership rate for this age group compared to countywide and statewide trends.

Of all owner occupied housing in 1990, most were owned by homeowners between the ages of 25 and 54 (Table 14). Those within the 45 to 54 age group had the highest rate of ownership at 84 percent followed by those age 55 and over at 78 percent. Not surprisingly, few persons age 15 to 24 owned housing units, just as few seniors age 75 and over rented housing units in Morgan Hill.

**Table 14**

**Tenure by Age of Householder (1990)**

Age	City	Percent	County	Percent
<b>Owner Occupied Units</b>				
15 to 24	36	1%	2,362	1%
25 to 34	882	16%	49,309	16%
35 to 44	1,750	31%	76,171	25%
45 to 54	1,461	26%	68,348	22%
55 to 64	606	11%	52,383	17%
65 to 74	508	9%	37,007	12%
75 and over	340	6%	21,744	7%
Total	5,583	100%	307,324	100%
<b>Renter Occupied Units</b>				
15 to 24	138	6%	21,291	10%
25 to 34	799	36%	82,729	39%
35 to 44	583	26%	51,615	24%
45 to 54	286	13%	23,776	11%
55 to 64	183	8%	13,288	6%
65 to 74	142	6%	10,336	5%
75 and over	94	4%	9,821	5%
Total	2,225	100%	212,856	100%

Source: 1990 Census

## Housing Rehabilitation and Replacement Needs

A majority of homes in the City of Morgan Hill were constructed between 1970 and 2000 as shown in Table 15 below. Therefore, there are few homes in Morgan Hill in substandard condition. The recent surge in housing costs in the City has resulted from an increase in housing demand and provides an incentive for property owners to maintain and improve their homes. Homes in need of repair are often occupied by lower-income homeowners, including seniors, who cannot afford to repair or properly maintain their homes. When purchased, these homes are quickly rehabilitated, thereby resulting in a reduction in the number of homes in substandard condition. Less than 10 percent of Morgan Hill's housing stock (fewer than 1,000 dwelling units) needs deferred maintenance or rehabilitation (including older mobilehomes), while less than 1 percent is in need of replacement.

## Redevelopment Efforts in the Project Area

According to Roger Malech of Seville-Contempo Properties (Personal communication, August 30, 2001), the majority of housing in Morgan Hill is in good condition, not in need of extensive



rehabilitation. There are areas within the central portion of Morgan Hill; however, where significant rehabilitation may occur. The City has focused its efforts on rehabilitating the redevelopment project area, thereby improving those substandard homes.

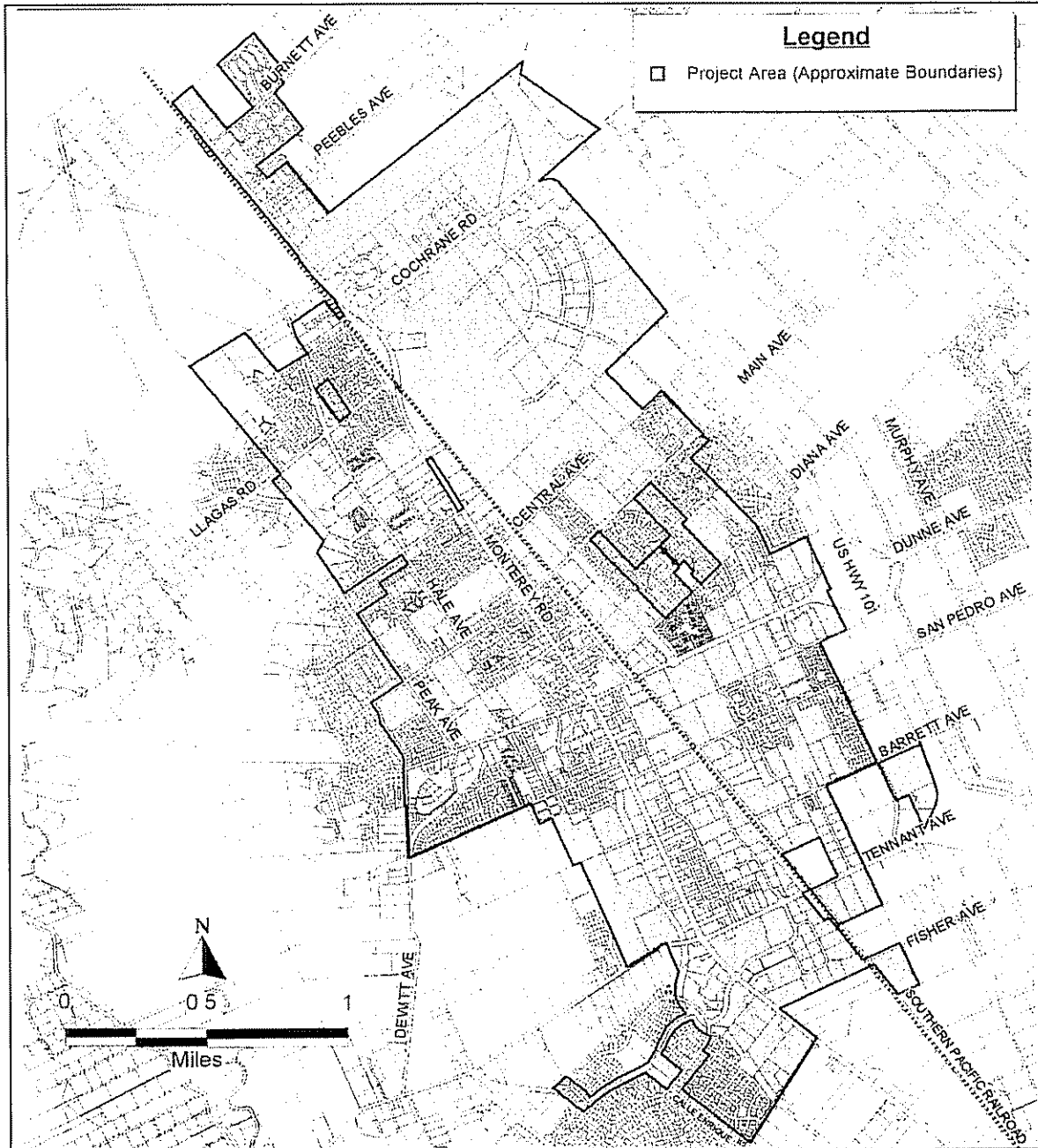
The Redevelopment Agency has established a Redevelopment Plan for the central area of Morgan Hill (Figure 5). According to the Redevelopment Agency's Implementation Plan established in December 1999, redevelopment efforts include structural restoration, commercial enhancement, infrastructure improvements and other efforts to improve the quality of life and land use patterns in the area. The Plan also includes efforts to provide affordable housing. Between 1995 and 1999, 855 housing units were constructed or replaced within the redevelopment area. Approximately 183 of these units were very low-income and 153 were low/moderate-income units. The development of these units exceeded the RDA 15 percent affordability goals by 131 very low-income units and 163 low/moderate-income units. According to the 1999 Plan, only 1,019 new homes may be built between 2000 and 2004 due to RDCA limitations, of which 560 are anticipated within the redevelopment project area. The Plan estimated that 183 very low-income units and 193 low/moderate-income units will be constructed in the redevelopment project area between 2000 and 2004. Projections for 2005 through 2009 estimate 1,150 homes will be built or restored in the redevelopment project area, of which 69 units would be very low-income and 104 units would be low/moderate-income.

According to the Redevelopment Agency's Implementation Plan, Housing Set Aside Projections for 2000 through 2004 estimate \$13,987,820 will be available for housing rehabilitation loans (30 percent or 190 loans), senior housing and mobilehome repair grants (15 percent or 300 loans), below market rate housing (5 percent of loans), and new development/major rehabilitation/special programs (50 percent or 200 projects).

The Redevelopment Agency administers a variety of programs/projects to increase and preserve the supply of affordable housing in the community. With regard to rehab loans and grants, the Agency offers the single family ownership and multi-family rental housing rehabilitation program, paint and lead paint abatement grant program, senior housing repair and mobile home repair programs (SHRP & MHRP). The SHRP and MHRP provide funds to correct health and safety problems such as roof replacements, replacing old water heaters, and replacing dry rot. The Agency also contracts with non-profit developers to build new affordable units or to rehabilitate older units in town. In addition, the Agency also administers the City's Below Market Rate (BMR) programs and Community Development Block Grant (CDBG) programs, which provide low cost housing and program funding, respectively.

**Figure 5**

**Morgan Hill Redevelopment Project Area**



Source: City of Morgan Hill, Public Works Department, 1998

**Table 15**

**Age of Morgan Hill's Housing Stock**

<b>Year Structure Built</b>	<b>Total</b>	<b>Total Occupied</b>	<b>Renter Occupied</b>
1991-2000	2,544	N/A	N/A
1980-1990	2,896	2,752	752
1970-1979	3,645	3,548	839
1960-1969	733	695	270
1950-1959	312	285	85
1940-1949	305	275	125
1939 or earlier	266	253	154
<b>Total</b>	<b>10,701</b>	<b>7,808</b>	<b>2,225</b>

Source: 1990 Census, and California Department of Finance, 1990-2000 City/County Population and Housing Estimates.

## Overcrowded Households

Another indicator of housing need is the percentage of households living in overcrowded conditions. Most housing analysts define overcrowding as more than one person per room, excluding bathrooms, hallways, and service areas.

Morgan Hill had a relatively low incidence of overcrowding in 1990—531 households (7 percent) were overcrowded. By comparison, Santa Clara County had an 11 percent overcrowding rate. Overcrowding in Morgan Hill occurred more often in rental housing (17 percent) than owner-occupied housing (3 percent). There were 369 overcrowded rental units and 162 overcrowded owner-occupied units.

The low percentage of large families combined with the low incidence of overcrowding indicates that there is not a large proportion of the population living in overcrowded conditions. However, overcrowding is a significant problem among large families, mostly those of Hispanic origin, who cannot afford adequate housing of sufficient size to meet their needs.

## Housing Costs

### Home Prices

Recent trends in home prices in Morgan Hill and in Santa Clara County show a dramatic increase in median home prices in the area. Sales of existing homes in California in the second quarter of 2001 posted a 7.5 percent increase and the median home price rose to \$258,110 (California Association of Realtors August 13, 2001). Morgan Hill's median home price for the month was \$475,000, a decrease of 9.1 percent from sales prices in July 2000. The California Association of Realtors lists the median housing prices for the County as of July 2001 as \$462,000. The median sales price in July increased by 3.4 percent in the County as compared to July 2000. Compared with California and the rest of the country, fewer households in Santa Clara County – 29 percent

in 1998 – can afford to purchase the median-priced home. Housing affordability was actually lower in 1990 (as measured by the percentage of households that can afford the median-priced home); increasing during the economic downturn of the early 1990s, but declining again in recent years. Prices are likely to fluctuate based on economic and social events; however, the figures represented here reflect the trends occurring when this analysis was prepared.

Table 16 lists prices of homes for sale as of October, 2001. The listing comes from Shanna Boigon of Coldwell Banker Real Estate. Most homes for sale have three or four bedrooms. There were 20 listings for townhomes/condominiums in Morgan Hill during the month of October. According to Roger Malech (Seville-Contempo Properties August 30, 2001), home prices range from the low \$400,000 to well over \$1,000,000. Between June 1 and August 30, 2001, 106 homes were sold in Morgan Hill with an average price between \$400,000 and \$600,000. Only four homes sold for over \$1,000,000 and only 20 homes sold for under \$400,000. Very few new custom homes in the higher end cost ranges are being constructed. Only 23 new homes were on the market as of August 30, 2001 and they range in price from \$439,950 to \$4,000,000.

**Table 16**

**Home Prices in Morgan Hill (2001)**

	<b>Bedrooms</b>	<b>Units for Sale</b>	<b>Median</b>	<b>Average</b>	<b>City Range</b>	<b>% of Total</b>
<b>Single Family Homes</b>						
	2	7	\$339,000	\$316,857	\$245,000-\$375,000	3%
	3	49	\$458,000	\$510,010	\$339,000-\$1,349,000	20%
	4	95	\$629,000	\$688,415	\$419,999-\$1,749,000	39%
	5+	44	\$849,950	\$1,125,835	\$499,000-\$5,000,000	18%
Total	--	195	--	--	--	80%
<b>Condominiums</b>						
	2	14	\$319,000	\$327,857	\$295,000-\$399,500	6%
	3	6	\$344,950	\$356,483	\$335,000-\$404,000	2%
Total	--	20	--	--	--	8%
<b>Mobile Homes</b>						
	2	19	\$155,000	\$145,380	\$39,900-\$239,500	8%
	3+	11	\$137,000	\$144,832	\$89,900-\$239,900	4%
Total	--	30	--	--	--	12%

Source: Coldwell Banker, October, 2001.

Table 17 compares median home prices in the County to other counties in the region between July 2000 and July 2001. Median home prices in Santa Clara County are above average in the

region. Therefore, the housing market in Morgan Hill as with the remainder of Santa Clara County is likely to only attract above moderate-income households.

**Table 17**

**Comparative Median Home Prices (2000 - 2001)**

County	July 2000	July 2001	Percent Change between 2000 and 2001
Santa Clara	\$462,500	\$447,500	3.4%
San Mateo	\$520,000	\$470,000	10.6%
Alameda	\$365,000	\$340,500	7.2%

Source: California Association of Realtors, July 2001.

## Rental Rates

The 1990 census data shows rents were higher in the City of Morgan Hill than in Santa Clara County. The median rental costs in Morgan Hill was \$811 in 1990 compared to \$773 in Santa Clara County. This might be caused by the fact that Santa Clara County has a more diverse housing stock with more multi-family units than the City of Morgan Hill. According to the 1990 Census, Morgan Hill's rental stock consists of 47 percent single-family rentals, 29 percent multi-family, non-condominium rentals, 20 percent condominium rentals, 4 percent mobilehome rentals, and less than 1 percent other rentals. In comparison, Santa Clara County's rental stock consists of 49 percent multi-family, non-condominium rentals, 33 percent single-family rentals, 17 percent condominium rentals, 1 percent other rentals, and less than 1 percent mobilehome rentals. Therefore, Morgan Hill's rental stock contains a higher percentage of single-family home rentals than the County, causing the median rental cost for the City to increase as rental rates for houses are typically higher than apartment rental rates.

A recent California Budget Project Report (May 2000) confirms that rental rates far exceed the Fair Market Rent for a two-bedroom apartment in 1999. The Fair Market Rent is a rent level established by the Federal government for participation in various rental subsidy programs, but does not necessarily indicate the average market rents being charged in an area. Fair market rents for the Santa Clara County area in fiscal year 2000 are provided in Table 18 below. For the 40<sup>th</sup> percentile fair market rents for manufactured home spaces in the Section 8 Choice Housing Program, space rents in Santa Clara County are listed at \$1,131 for fiscal year 2000 (Federal Register, April 2001). Rents in Santa Clara County exceed the Fair Market Rent for both one- and two-bedroom apartments (Department of Finance 2000). Rental costs have increased far more than incomes throughout the County (San Jose Mercury News September 2000).

**Table 18**

**Fair Market Rents for Existing Housing in Santa Clara County**

Studio	One Bedroom	Two Bedrooms	Three Bedrooms	Four Bedrooms
\$1,131	\$1,289	\$1,592	\$2,182	\$2,451

Source: Federal Register, HUD, April 2001.

Rental stock available in Morgan Hill is limited at any monthly rental rate. Table 19 shows the rental units listed locally for rent. Listing varies from month to month, however, the vacancy rate in 2000 was 2.6 percent. Out of 56 listings, 28 were single-family homes/duplexes, 10 were condominiums, and 18 were apartments.

Very few units are available at rates affordable to very low-income individuals or families. Rents currently average approximately \$1,037 for a one-bedroom apartment in Morgan Hill and approximately \$1,289 for a two-bedroom apartment, according to the April Morgan Hill Vacancy Rate Survey. A sample of housing within Morgan Hill revealed that the average two-bedroom home was above \$1,500 per month. Rent for a three-bedroom home was \$2,300 per month, while rents for four-bedroom homes averaged \$3,000 per month. While this sampling shows one-bedroom units fall within the HUD Fair Market Rents for Santa Clara County, units with two or more bedrooms exceed Fair Market Rents on average based on this sample of rental listings.

**Table 19**

**Rental Rates in Morgan Hill (2001)**

Type	1 Bed	2 Bed	3 Bed	4+ Bed
Apartment/4-Plex	\$520-\$1,200	\$443-\$1,895	\$427-\$1,700	\$619-\$1,585
Home/Duplex		\$1,495-\$1,900	\$1,800-\$3,000	\$2,100-\$5,495
Condominium		\$1,400-\$2,095	\$1,900-\$2,350	

Source: City of Morgan Hill Rent Vacancy Survey, 2001.  
Bayrentals.com, and Apartments.com, August 2001.

**Affordability Trends**

**Rental Housing**

In 1990, people with very low- incomes had some affordable housing options with about 21 percent of the rental units in the City having rents below 30 percent of their income. People with low incomes had more options than those with very low incomes, as approximately 76 percent of all rental units were affordable to households in this category. There were about 24 percent more rental units available to moderate- and above moderate-income households in 1990. Although 21

percent of the rental units were affordable to very low-income households, availability still suggests a need for housing assistance among the poorest of the community.

Table 20 provides an estimate of the number of affordable rental units at each income level. The percentage of apartments affordable within the low- and moderate-income groups is cumulative and includes the percentage from the previous income group. Also, households of many income levels will often compete for housing in the same price range, so the existence of lower-cost units does not mean that such units are actually available to lower-income households.

**Table 20**

**Affordability of Rental Housing in Relation to Income 1990**

Income Group	Affordable Rent Limit	% of City Rentals	% of County Rentals
Very Low	\$601	Approximately 21%	Approximately 22%
Low	\$962	Approximately 76%	Approximately 47%
Moderate	\$1,443	Approximately 100%	Approximately 100%

Source: 1990 U.S. Census.

Current rental rates in 2001 indicate a dramatic shift in the rental units affordable to very low-, low-, and moderate-income households. Households within these income categories have a difficult time locating appropriate rental units because the 2.6 vacancy rate and the strong market pressure have inflated rents beyond affordability. For example, a person with an income of \$48,350 (a low-income level for a single individual) could spend up to \$1,200 a month on an apartment, which is approximately 30 percent of the individual's income. A survey of apartment rents in the City as of October 2001 revealed that the average one-bedroom unit was \$1,037 per month, which would be affordable to a low-income individual, but unaffordable to a very low-income individual. Based on the Morgan Hill Rent Vacancy Survey, 100 percent of one-bedroom units are affordable to low-income individuals, but only 21 percent of the City's one-bedroom units are affordable to very low-income individuals. Although the economy is slowing in the County and the unemployment rate is increasing, rental rates are still continuing to rise, making adequate rental units unaffordable.

### For Sale Housing

A household can typically qualify to purchase a home that is 2.5 to 3.0 times its annual income, depending on the down payment, the level of other long-term obligations (such as a car loan), and interest rates. In practice, the interaction of these factors allows some households to qualify for homes priced at more than three times their annual income, while other households may be limited to purchasing homes no more than two times their annual incomes. Based on the homes sold in the last year and affordability rates at 3.0 times the annual income of a four-person household, Table 21 shows that there were few homes affordable to four-person households in the very low- low- or moderate-income categories. Most of the homes affordable to these groups were homes with foreclosures placed upon them or mobilehomes. All of the mobilehomes were affordable to moderate-income groups, 93 percent were affordable to low-income groups, and only 33 percent were affordable to very low-income groups. None of the single-family

homes/condominiums listed by Coldwell Banker as of October, 2001 were affordable to very low- or low-income households and only three single-family homes/condominiums were affordable to moderate-income households. It is important to note that subsidized housing is not included in this housing affordability analysis.

Because of the lower percentage of lower-income residents in the City, most City residents face fewer financial barriers to homeownership compared to County residents. Although the 1990 Census revealed over half of young adults age 25 to 34 were homeowners, prices have risen over the past 20 years, and it has become difficult for low-income and most moderate-income households to purchase a home, with the exception of a small percentage of older homeowners who have substantial equity in an existing home. To afford ownership of even the least-cost home in Morgan Hill, a low-income household would have to possess accumulated equity in an existing home, or equivalently valued assets that could be converted to cash, of at least \$189,980. A moderate-income household would have to have accumulated assets of at least \$85,220.

According to Roger Malech (Seville-Contempo Properties, August 30, 2001), housing affordability has been a problem in Morgan Hill for a long period of time. However, affordability rates have been improving since November of 2000. Home prices from market fluctuations and high demand levels are the biggest obstacles in providing affordable housing. City programs to increase affordability and home ownership have helped to decrease the problem, but not to a level that eliminates affordability issues.

**Table 21**

For Sale Units Affordable to Lower-Income Households (2001)

Income Group	Affordability Level	Homes for Sale	Percent of All Homes for Sale
Very Low-Income	\$130,500	10	4%
Low-Income	\$208,800	28	11%
Moderate-Income	\$313,200	33	13%

Source: Coldwell Banker, 2001.

### Lower Income Households Overpaying for Housing

An important indicator of housing need is the relationship of household income to housing costs. Households should pay no more than 30 percent of their gross incomes for housing costs. This figure is higher for other households because the cost of other necessary goods becomes a smaller percentage of the total income.

According to the 1990 Census, 842 (78 percent) renter households in Morgan Hill with incomes less than \$35,000 per year paid more than 30 percent of their incomes for housing (Table 22). Comparatively, 362 (56 percent) owner-occupied households with incomes less than \$35,000 per year paid in excess of 30 percent of their incomes on housing.



**Table 22**

**Number of Households Paying Over 30 Percent of Income on Housing**

Income	Owners	Renters	Total
Very Low-Income	101	479	580
Lower-Income	261	363	624
Total	362	842	1,204

Source: 1990 Census.

Note: 1990 Census data uses income ranges that do not correspond exactly to the income categories. Therefore, there are people in the lower-income category that actually fall into the moderate-income category and likewise between the very low- and lower-income categories. The numbers in the table include more persons than are actually in those categories.

Further analysis of housing expenditures as a percent of income show that most home owners pay less than 30 percent of their income on housing (Table 23). Renters with income below \$34,999 tend to pay a higher percentage of their income on housing. The majority of people earning \$50,000 or more paid less than 25 percent of their income on housing regardless of whether they rented or owned.

**Table 23**

**Morgan Hill Housing Expenditure Rate per Income Group**

Income	<\$10,000	\$10,000- \$19,999	\$20,000- \$34,999	\$35,000- \$49,999	\$50,000+	Total Households
<b>Owners</b>						
Under 30%	23%	59%	42%	35%	65%	2,627
30%-34%	0%	0%	10%	8%	15%	583
35%+	77%	41%	48%	57%	20%	1,306
Total Households	82	92	449	554	3,339	4,516
<b>Renters</b>						
Under 30%	7%	4%	36%	68%	98%	1,149
30%-34%	6%	14%	15%	15%	27%	222
35%+	87%	82%	49%	17%	0%	782
Total Households	205	302	569	463	614	2,153

Source: 1990 U.S. Census.

According to the Morgan Hill Draft General Plan EIR (2001), median home prices in Morgan Hill were comparable to prices in San Jose, but less than Santa Clara County in 2000. Unlike other neighboring cities that have priced out moderate-income households, Morgan Hill's average cost home was affordable to moderate-income households in 1995. This is a result of higher incomes in Morgan Hill as compared to Santa Clara County, and RDCS requirements to set-aside below-market housing within RDCS permitting limits to ensure some new housing is affordable to lower-income households.

## **Assisted Housing Projects**

Assisted housing projects in the City can alleviate the financial hardships low-income households may face. Assisted housing projects are those that offer financial aid or provide extra services for people in need of financial or basic living assistance. There are a variety of programs, each focusing on a specific need or with a specific goal to eliminate unmet housing needs in the community. One multi-family complex in the City currently participates in HUD's Section 8 program (in which Federal funds are used to close the gap between the fair market rent and what lower income households can afford to pay) with 20 units in the program. Sycamore Glen has 20 Section 8 units, it is owned and operated by a nonprofit agency; therefore the 20 units at Sycamore Glen are at low risk of being converted when the contract expires in 2009. The contract for Village Avante, a 112-unit federally subsidized project, was terminated in 1999. The Ecumenical Association for Housing (EAH) purchased and rehabilitated Village Avante in 1999 with \$2.2 million in assistance from the Redevelopment Agency. EAH manages the two-, three-, four-, and five-bedroom units for very low- and low-income households. Income restrictions will expire in 2054. EAH also owns and manages other affordable housing units in Morgan Hill as discussed in Table 24 below.

There are a number of non-profit organizations providing affordable housing within Morgan Hill. First Community Housing is a private developer that builds affordable housing in San Jose and surrounding areas. They have built 436 low-income residential units, worth more than \$45.8 million. Murphy Ranch in Morgan Hill will provide 19 very low-income units and 77 low-income units.

South County Housing is also a private nonprofit organization that provides affordable housing in Morgan Hill and surrounding areas. They have created 1,300 single- and multi-family housing units for farmworkers, seniors, seasonal laborers, single parents, low-income families, and the homeless. South County Housing also owns and manages over 700 low-income rental units that house over 3,000 residents throughout the Bay Area. In Morgan Hill, South County Housing owns and manages Skeels Hotel, Crest Avenue Apartments, The Willows, Sycamore Glen, Villa Ciolino, and Depot Commons. Skeels Hotel provides 13 studio units for very low-income households. Income restrictions for Skeels Hotel are not due to expire until 2050. Crest Avenue Apartments provides 28 two-bedroom units for low-income households and its restrictions are due to expire in 2015. The Willows provides 20 two-, three-, and four-bedroom units to very low- and low-income households. Restrictions on this complex are due to expire in 2047. Sycamore Glen offers 20 low-income, senior units and is subsidized through a Section 8 contract due to expire in 2009. Villa Ciolino offers 40 very low-income and two low-income units and receives partial funding from Federal and State low-income Housing Tax Credits. Finally, Depot Commons offers a dormitory-like living arrangement, with 12 studio bed/bath units, and a shared kitchen and living room to very low-income households. Its contract is due to expire in 2050.

EAH, a nonprofit organization dedicated to the development, management and advocacy of affordable housing, has developed over 2,300 affordable housing units and manages over 2,700

units throughout the Bay Area. In addition to Village Avante as mentioned earlier, EAH developed and manages the Cochrane Village Apartments in Morgan Hill. Cochrane Village Apartments provides 96 one-, two-, three-, and four-bedroom apartments for very low- and low-income households. This project is funded through Housing Revenue Bonds, Santa Clara County CDBG Funds, the Santa Clara County Housing Bond Trust Fund, and a three percent loan from the Morgan Hill Redevelopment Agency.

The Housing Authority has one project in Morgan Hill. It is located on San Pedro and is called San Pedro Gardens. It was developed as a combined family rental and purchase housing project and was completed in October of 1992. There are a total of 36 three-bedroom units with 20 rental units (17 very low and 3 low-income units) and 16 sweat equity units.

Table 24 lists RDA assisted housing projects since 1986. Between 1986 and May, 2001, 568 affordable units were made available through these projects. Of the 711 units, 357 are reserved for very low-income households, 239 are reserved for lower-income households, and 66 are for median/moderate-income households. The City of Morgan Hill Redevelopment Agency funds most of the City's programs; however, affordable homes are also provided by market developers because they can be more competitive in the RDCS allocation system if they provide a percentage of affordable units within their developments.

**Table 24**

**Morgan Hill RDA Housing Projects (1986-2001)**

<b>Project</b>	<b>Completion Date</b>	<b>RDA Funds</b>	<b>Accomplishments</b>
Preservation Park	1986	\$385,000	8 single-family homes under the BMR first-time homebuyer program.
Jasmine Way Sweat Equity	1989	\$254,000	16 single-family homes under the BMR first-time homebuyer program.
Las Casas de San Pedro	1989	\$175,000	64 senior apartments (33 affordable units which have all expired).
Sycamore Glen	1989	\$300,000	20 very low-income senior apartments.
Walnut Creek	1989	\$50,000	63 units (5 homes under the BMR first-time homebuyer program of which 1 is designated for low-income, 1 for moderate-income and 3 for median income).
San Pedro Gardens	1992	\$825,000	16 sweat equity units and 20 rental units (17 very low and 3 low-income units).
The Willows Apartments	1992	\$73,400	20 apartments of which 6 are very low and 13 are lower income units.
Sunrise Meadows	1994	\$800,000	60 single-family homes under the BMR first-time homebuyer program. 24 units were sweat equity units.
The Bridge	1995	\$70,000	Duplex for very low-income persons. The loan is due in 2020.

**Table 24**

**Morgan Hill RDA Housing Projects (1986-2001)**

<b>Project</b>	<b>Completion Date</b>	<b>RDA Funds</b>	<b>Accomplishments</b>
Depot Commons	1995	\$440,000	3 shared single-family homes for persons with very low-and low-incomes.
Parson's Corner	1995	\$687,370	10 homes under the BMR first-time homebuyer program of which 5 are low-income and 5 are median-income units.
Skeels Building	1995	\$1,400,000	13 very low-income studios located above a commercial development.
Crest Avenue Rehabilitation	1996	\$729,520	7 lower-income rentals due to expire in 2016. Additional funds provided by Federal monies and the County HCD Rental Rehab Program totaling \$1,160,746.
Del Monte Avenue Rehabilitation	1997	\$180,000	3 lower-income rentals due to expire in 2017. Additional funds provided by CDBG grant of \$60,000.
Cochrane Village/Morgan Hill Ranch Family Housing	1998	\$2,800,000	96 apartments (56 low- and 40 very low-income units).
Village Avante	1999	\$2,180,000	112 apartments (89 very low- and 23 lower-income units).
Villa Ciolino	2001	\$2,375,000	Replaces 21 units, rehabilitates 8, and adds 13 new units. The 42 family rental units consist of 40 very low-income units and 2 lower income units. Partial funding received from Federal and State Low Income Housing Tax Credits.
Hacienda Valley Mobile Estates	2004	\$1,200,000	Assisted in purchase of 166 unit senior mhp. \$1.2 mil. loan for rental assistance for 123 owner-occupied homes by very low income households
Jasmine Square	2004	\$3,250,000	Replaces 23 substandard units with 72 new rental units.
Murphy Ranch	2006	\$5,290,000	49 very low-income, 39, low-income, and 12 moderate-income units.
Viale	2006	\$875,000	10 single family detached homes for public school teachers. Qualifying incomes will range from low to moderate.
Royal Court	2006	\$3,750,000	55 apartments units containing 1, 2, and 3 bedrooms and 12 single family units

Source: City of Morgan Hill, 2006

## Assisted Rental Housing at Risk of Conversion

In 1989, the California Government Code was amended to include a requirement that localities identify and develop a program in their housing elements for the preservation of assisted, affordable multi-family units. Subsequent amendments have clarified the scope of the analysis to also include units developed pursuant to inclusionary housing and density bonus programs. In the preservation analysis, localities are required to provide an inventory of assisted, affordable units that are eligible to convert within ten years. As part of the analysis, an estimation of the cost of preserving versus replacing the units is to be included, as well as programs designed to preserve the affordable units.

The California Housing Partnership Corporation provides an inventory of federally subsidized rental units at risk of conversion. The 2001 update, which identifies units at risk through the year 2020, identifies two HUD-assisted multi-family housing developments with Section 8 contracts in the Morgan Hill. Village Avante, for lower income families, had 13 Section 8 units and 112 assisted units before its contract was acquired by EAH in 1999. Sycamore Glen is now owned by South County Housing, a non-profit organization, that provides 20 Section 8 assisted units for the elderly and handicapped out of a total of 21 units. The contract for Sycamore Glen is due to expire in 2009, but is considered a low-risk project because South County Housing is a non-profit organization interested in acquiring, preserving, and providing affordable housing in the community.

Although not listed on the California Housing Partnership Corporation listing, there are six City assisted projects due to expire within the next ten years. Glen Creek Apartment Homes contains 20 units subsidized for very low- and low-income households and is due to expire in 2008. The remaining five projects are replacement or rehabilitation efforts subsidized for low-income households. The Downtown Replacement Program subsidizes two replacement units due to expire in 2010. The Del Monte Rehabilitation Program subsidizes one low-income unit due to expire in 2011. Two other rehabilitation programs, the Single Family Rehabilitation Program and Coleman Rehabilitation Program, each provide one low-income subsidized unit due to expire in 2005 and 2010, respectively.

Table 25 lists BMR rentals in Morgan Hill.

**Table 25**

### Below Market Rate Rentals in Morgan Hill

Complex	Income Category	Unit Size	Date Restrictions Expire
St. James Place	Very Low	three-bedroom	2019
Vineyard Court Apartments (5 units of 50 total units)	Very Low Low	5 two-bedroom	2019
Rose Haven	Very Low Low	three-bedroom four-bedroom	2017
Morgan Springs	Very Low	two-bedroom	2019
Village at Springhill	Very Low	two-bedroom	2019

**Table 25**

**Below Market Rate Rentals in Morgan Hill**

<b>Complex</b>	<b>Income Category</b>	<b>Unit Size</b>	<b>Date Restrictions Expire</b>
Westmoreland Park	Very Low	two-bedroom	2019
Glen Creek Apartment Homes (138 units)	10 Very Low units 10 Low units	58 one-bedroom 79 two-bedroom	2008
The Villas I and II	Very Low Low	three-bedroom	2018/2021
Downtown Replacement Program	Low	three-bedroom	2010
Bridge (Special Needs Housing)	Very Low	six-bedroom (shared)	2020
Downtown Replacement Program	Low	two-bedroom	2010
Christina Apartments	Very Low	two-bedroom	2013
Downtown Replacement Program	Low	three-bedroom	2013
Del Monte Rehab Program	Low	two-bedroom	2011
Single Family Rehab Program	Low	four-bedroom	2005
Coleman Rehab Program	Low	two-bedroom	2010
Skeels Hotel (13 units)	Very Low	13 studios	2050
San Pedro Gardens (20 units)	Very Low Moderate	10 two-bedroom 10 three-bedroom	2022
Crest Avenue Apartments (28 units)	Low	28 two-bedroom	2015
The Willows (20 units)	Very Low Low	5 two-bedroom 6 three-bedroom 8 four-bedroom	2047
Terracina I and II at Morgan Hill (148 units)	Very Low Low	34 one-bedroom 66 two-bedroom 46 three-bedroom 2 four-bedroom	2052
Cochrane Village (96 units)	Very Low Low	2 one-bedroom 8 two-bedroom 5 three-bedroom 1 four-bedroom	2052
Morgan Hill Ranch Family (100 units)	Very Low Low	14 one-bedroom 32 two-bedroom 31 three-bedroom 3 four-bedroom	2052
Depot Commons (12 units)	Low	12 studios	2050

**Table 25**

**Below Market Rate Rentals in Morgan Hill**

<b>Complex</b>	<b>Income Category</b>	<b>Unit Size</b>	<b>Date Restrictions Expire</b>
Village Avante (112 units)	Very Low Low	8 two-bedroom 39 three-bedroom 45 four-bedroom 20 five-bedroom	2054
Barrett Oaks	Very Low	three-bedroom	2020
Villa Ciolino (42 units)	Very Low Low	4 one-bedroom 16 two-bedroom 8 three-bedroom	2056
Hacienda Valley Mobile Estates (123 units)	Very Low		2059
Jasmine Square (72 units)	Very Low Low	24 one-bedroom 26 two-bedroom 20 three-bedroom 2 four-bedroom	2060
Royal Court	Extremely Low Very Low Low	14 one-bedroom 24 two-bedroom 16 three-bedroom	2061

Source: City of Morgan Hill, 2006.

Note: Not all complexes provided the number of affordable units within their development.

Based on the costs of land, permits, development, and construction (see Non-Governmental Constraints section), the estimated cost per unit to replace affordable rental units in Morgan Hill would be between \$119,464 and \$146,000 per dwelling unit depending on renovation needs, construction needs, location, and other factors. Coldwell Banker listed one multi-family property in the City as of October 2001. The number of units was not listed for this \$2,600,000 property on Crest Ave., but the structure encompasses 13,354 square feet. An Internet search (LoopNet®, 2001) of six multi-family properties for sale in surrounding communities, the cost of acquiring rental units is estimated to be \$150,000 per dwelling unit.

The cost of replacing affordable units will vary, depending on the project density, location, unit sizes, and quality of construction. An affordable housing project, in the range 12 to 16 to dwelling units per acre, could cost between \$120,000 and \$180,000 per dwelling unit (including land and development costs), depending on the square footage and number of bedrooms. A higher density project, in the range of 20 to 25 dwelling units per acre, could cost between \$100,000 and \$155,000 to construct, again depending on density and unit size. These costs assume that a non-profit motivated entity develops the projects.

These costs estimates are for development of new multifamily dwelling units on vacant land, not conversion of existing structures to residential use or development of a mixed-use commercial/residential project.

The cost of providing long-term rental subsidies in lieu of acquiring and replacing affordable units would also be significant. The City has identified 25 rental housing units potentially at risk of conversion through 2011. Table 25A summarizes the estimated cost of providing 30 years of rental subsidies in 2001 dollars. The City selected 30 years as the relevant timeframe for analysis because most local, state, and federal rental housing programs require a minimum affordability period of 30 years. The calculations are based on income levels of 50% of Santa Clara median income for very low-income households and 65% of Santa Clara County median income for low-income households. The targeted income group is based on the occupancy of the at-risk rental units in 2001. Different assumptions regarding the income levels of the occupants of the 25 assisted units would result in different calculations regarding the necessary rental subsidy.

Based on the assumptions in Table 25A, the 30-year rental subsidy for the 25 at-risk rental units would be \$2.75 million, or \$110,073 per dwelling unit. This cost is lower than the acquisition or replacement cost, but only if the gap between an affordable housing payments and fair market rents does not increase over the 30-year period.

**Table 25A**

**Estimate Rental Subsidy Payments Over 30 Years**

# of Units	Bedrooms	Targeted Income Group	Assumed Household Size	30% of Monthly Income	2001 HUD Fair Market Rent	Monthly Difference	30-Year Estimated Subsidy
5	1	Very Low	2	\$875	\$1,289	\$414	\$745,200
5	2	Very Low	4	\$1,090	\$1,592	\$502	\$903,600
5	1	Low	2	\$1,125	\$1,289	\$164	\$295,200
8	2	Low	4	\$1,405	\$1,592	\$187	\$67,320
1	3	Low	5	\$1,515	\$2,182	\$667	\$240,120
1	4	Low	8	\$1,851	\$3,241	\$1,390	\$500,400
Total Estimated 30-Year Subsidy		\$2,751,840					

## REGIONAL HOUSING NEEDS DETERMINATION (RHND)

ABAG's methodology is based on the regional numbers supplied by the State Department of Housing and Community Development (HCD), these are "goal numbers" and are not meant to match, and often exceed, anticipated growth in housing units. A goal vacancy rate is set by HCD, and then a housing unit need to meet that vacancy rate is derived by assessing potential growth rates (population, jobs, households) and loss of housing due to demolition. The numbers produced by HCD are provided to ABAG in the form of a regional goal number, which is then broken into income categories. ABAG is mandated to distribute the numbers to Bay Area jurisdictions by income categories. ABAG is responsible for allocating the Regional Housing Needs Determination (RHND) goal number to cities and counties in the Bay Area.



The "Regional Housing Needs Determination," was adopted by ABAG in March 2001. This plan covers the period from January 1, 1999 through June 30 2006. Existing need is evaluated based on overpayment (30 percent or more of income) and overcrowding by lower-income households and the need to raise vacancy rates in the jurisdiction to a level at which the HCD market would operate freely.

The methodology used to determine the future need considers the growth in number of households expected, the need to achieve ideal vacancy rates, the need for more housing opportunities, and compensation for anticipated demolition. An "avoidance of impaction" adjustment was applied to the preliminary allocation figure to avoid further concentration of low-income units in jurisdictions that have more than the regional average.

The RHND allocation is a minimum needs number—cities and counties are free to plan for, and accommodate, a larger number of dwelling units than the allocation. The City must however use the numbers allocated under the RHND to identify measures (policies and ordinances) that are consistent with these new construction goals. While the City must also show how it will accommodate for the units to be built, it is not obligated to build any of the units itself or finance their construction.

According to the RHND, the City of Morgan Hill has a total housing construction need of 2,484 units and an annual need of 331 units. Table 26 shows Morgan Hill's 1999-2006 planning period allocation. It should be noted that 101 of the 2,484 units represent the needs of the unincorporated area within Morgan Hill's sphere of influence, which is the City's responsibility whether or not the City annexes any land between 1999 and 2006. Under the RHND, the City must accommodate 683 additional dwelling units at densities suitable for the development of housing for very low- and low-income households, and 615 additional dwelling units at densities suitable for moderate-income households. Many of the housing units under the City's regional allocation have already been constructed, are under construction, or have been approved under the City's RDCS (see Table 27 below).

**Table 26**

**Regional Housing Needs Determination (2001)**

Total Dwelling Units	Sphere of Influence	% of Total	Income Level
455	18	18%	Very Low-Income
228	9	9%	Low-Income
615	25	25%	Moderate-Income
1,186	49	48%	Above Moderate-Income

Source: ABAG 1999-2006 Regional Housing Needs Determination.

Since the 1999-2006 RHND allocation was released, new units have been constructed, approved, or are in review. Table 27 lists projects that have been constructed between 1999 and 2005. In addition, the Table includes the number of units that have been authorized for construction by June 30, 2006. The numbers of very low- and low-income units is based on deed restrictions imposed at the time of approvals. The number of moderate-income units is based on a combination of deed restrictions and actual sales prices. Construction of these units will exceed the overall RHND.

**Table 27**

**Units Added, Approved, and Potential to Meet RHND Allocation  
January 1999 to June 2006**

Year	Very Low Income	Low Income	Moderate Income	Above Moderate Income	Total (1)
1999 Total	1	44	103	247	906
2000 Total	128	103	14	313	169
2001 Total	46	66	38	190	219
2002 Total	6	15	77	124	89
2003 Total	54	0	41	115	262
2004 Total	8	0	21	63	253
2005 Total	82	42	16	99	239
1999-2005 Total	325	270	310	1151	2137
1999-2006 RHND Allocation	455	228	615	1186	2484
RHND Need for 2006	130	-42	305	35	347
2006 Authorized Production (2)	45	28	3	315	391
1999-2006 Deficit/ (Surplus) (3)	85	0	232	(280)	(44)

(1) Information on total units from the Department of Finance. Information on very low-, low-, and moderate-income units based on City's review of development permit records and deed restrictions associated with BMR and other price/rent-restricted units.

(2) The total number of units includes those that received approval for construction in FY 04-05 or earlier and have not been completed (147) and units approved for construction in FY 05-06 and have not been completed (244). Income levels are based on actual approvals for projects to be constructed in FY 05-06.

(3) Between 1999 and 2006 the City will produce 70 low-income units in excess of the RHND allocation. Those units have been shifted to the moderate-income column to reduce the deficit in this column and create a "zero" surplus in the low-income column.

Source: City of Morgan Hill

## RESOURCES AND POTENTIAL GROWTH AREAS

### Development Patterns and Philosophy

The City of Morgan Hill began as an agricultural community centered around Rancho Ojo de la Coche. Development occurred along the railroad lines, and the City steadily expanded and incorporated in 1906. Post World War II land annexations brought many to Morgan Hill seeking residential developments. When U.S. Highway 101 was opened in the late 1970s, suburban commuting became more popular and the City experienced a population boom. With easy access to surrounding cities, residential developments were dispersed throughout the City. The rapid development caused the City to adopt the Residential Development Control System, a voter initiative, to limit the amount of growth that may occur in Morgan Hill each year. This growth philosophy has continued to be important in guiding the City's future, and there is a desire to maintain and preserve the community created by this philosophy. Since the development pattern was dispersed and did not form a contiguous pattern in the City, there are a significant number of vacant sites where infill development may occur.

### Vacant and Underutilized Land

Morgan Hill encompasses approximately 7,800 acres of land, of which approximately 2,000 (25 percent) are vacant. There are approximately 730 acres of vacant and underutilized residential land available within the City, primarily located on the valley floor. This land could be developed with single-family or high-density residential uses. Residential vacant and underutilized land is broken down in the following table by current land use and zoning.

As shown in Table 28, the City can accommodate over 2,800 dwelling units on vacant residential land and commercial properties that permit residences. In addition, underutilized sites have the potential for development of approximately 940 additional units. This potential for in excess of 3,700 units is in addition to the 2528 units that will be constructed to meet the RHND through June, 2006. Tables B-3 and B-4 provide a complete listing of the parcels which were included in the summary on Table 28.

The densities assumed for the vacant and underutilized land reflects typical densities of existing development in each zoning category. For example, single family residential development under the R-1 7,000 zoning category is estimated to develop at 4.5 units per acre. The R-2 3,500 zoning district, although allowing for densities of 12 units per acre, is estimated to develop at 9 units per acre, consistent with existing development patterns. In addition, the General Plan specifies density ranges for each residential designation. Development may only occur within that range and not at a lower or higher density.

All underutilized parcels are developed with one single family house and associated structures. The density calculation for underutilized parcels in single family zones assumes that the existing houses will remain and utilize twice the minimum area allowed for the zoning district. The density calculation for underutilized multi-family parcels assumed that parcels of one acre or less in size would not be further developed. Parcels larger than one acre were assumed to fully redevelop, including demolition of the existing house. This latter calculation involves a total of six parcels.

The inventory of vacant and underutilized sites within the multi-family and mixed use zones includes many sites which are less than one acre in size. These sites may be more costly to develop on a per-unit basis and therefore less affordable to persons of lower incomes. However,

these smaller sites are anticipated to accommodate approximately 194 of the 2,017 units (less than 10 percent) of the total multi-family units. This is considered an insignificant number, particularly when considering that these potential units are all in addition to the units that will be provided to meet the City's RHND.

The City's current land use patterns do not make it difficult to accommodate the City's share of regional housing needs for very low-, low-, and moderate-income households under ABAG's plan, as there is sufficient land zoned throughout the City for all housing types. Maximum residential densities in the City's residential zones range from one dwelling unit per five acres to 40 dwelling units per acre. The City's potential to accommodate affordable housing could be increased through higher densities than currently permitted along arterial roads (such as Monterey Road), higher densities for housing in commercial zones, and incentives to construct housing in commercial zones (including dwelling units over or behind ground-level commercial structures in the historic downtown district). However, higher densities, by themselves, may not contribute significantly to housing affordability if three-story construction is necessary to achieve the higher density.